

Public Accounts Select Committee		
Title	Report on Brexit (UK leaving the European Union)	
Contributor	Head of Corporate Resources	Item 5
Class	Part 1 (open)	15 March 2017

Lateness: This report was not available for the original dispatch because officers needing additional time to complete their review of the possible implications of Brexit.

Urgency: The report is urgent and cannot wait until the next meeting of the Committee as members have requested the update within this year's work programme for which this is the last meeting.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Purpose of the Report

1.1. The purpose of this report is to update the members of the Public Accounts Select Committee (PASC) on some of the considerations in respect of the United Kingdom (UK) decision to withdraw from the European Union (EU), also known as Brexit.

2. Recommendations

2.1. It is recommended that the PASC note the contents of this report.

3. Background

3.1. The UK held a referendum in June 2016 with the option to vote for the UK to leave or remain in the EU.

3.2. The national turnout was high with over 30 million votes cast and the result was to leave.

Referendum Results	National	England	Lewisham
Leave	51.9%	53.4%	30.1%
Remain	48.1%	46.6%	69.9%
Turnout	72%	73%	63%

- 3.3. Since the referendum the UK Government has changed with a new Prime Minister and Cabinet and a new Department for Exiting the EU created to lead on negotiations to deliver Brexit. Following a court case at the Supreme Court it has also been confirmed that parliament must be consulted before triggering Article 50 of the Lisbon Treaty on the EU. The bill to do this has passed the House of Commons and is presented at Appendix A. It is currently with the House of Lords for scrutiny.
- 3.4. To date the EU have been clear that no discussions can begin until the UK has triggered Article 50. This will trigger the formal two year process to agreeing the terms of the UK's exit from the EU which has to be agreed by 20 of the 27 member states with at least 65% of the population and the European Parliament to be concluded – see schematic of process at Appendix C.
- 3.5. If an agreement is not reached under the terms of the Treaty an extension can be granted if agreed by all member states or the UK leaves as an independent country bound by international agreements only, in particular the World Trade Organisation (WTO) for matters of trade.

4. Considerations

- 4.1. This section looks at the international, national, London, and Local issues to hopefully put some structure to the breadth of matters to be addressed as Brexit preparations continue. In setting out some of the uncertainties, challenges, and questions to be answered the report does not claim to be comprehensive nor to present the points in any particular order to reflect their importance or ability to influence them.

International

- 4.2. There are potential issues for the union of Great Britain. These include:
 - 4.2.1. the Scottish electorate voted to remain and the leading SNP party point out that the 2015 independence referendum result reflected an assumption that England would remain in the EU. Now this may no longer be the case they may push for a second Scottish independence election to be held.
 - 4.2.2. Northern Ireland has an open border with the Republic and both are opted out of the EU Schengen agreement. This may not be sustainable if the UK has to revert to a hard border with all EU states, causing disruption to communities and trade. Furthermore the Irish Good Friday Agreement holds under EU law and there is a view that it may also have to be revisited as part of Brexit.
 - 4.2.3. Other areas of contention might for example include the status of Gibraltar which is contested by Spain and could impact UK residents there.
- 4.3. A number of economic adjustments in the global economy may influence Brexit positions and impact how the UK economy resets and trades with the world as it

withdraws from the EU. Currently the UK exports goods and services worth £230bn to the EU and imports £291bn. This covers a trading surplus of £28bn on services and a trading deficit of £89bn on goods. Areas where changes in economic relations will impact include:

- 4.3.1. The revaluation of sterling against other currencies – down 15% against the US dollar and 10% against the Euro since June 2016. This in turn has pushed up the rate of inflation in the UK economy (now above 2%) which runs a net trade deficit and the weaker currency has pushed up import costs.
 - 4.3.2. It is unclear how the quantitative easing of the last decade or so undertaken by the major developed economies (Japan, US, UK, Europe) will be paid down or inflated out over time. The former is harder and the latter acts as a drag on growth.
 - 4.3.3. The Eurozone also has its own economic tensions and imbalances to manage over time – the most visible being Greece but also Italy and others - that create different views when trying to generate a consensus for Brexit.
- 4.4. There are a number of national elections due in European countries in 2017, the results of which could significantly influence the approach each country takes to the Brexit negotiations. The main ones are in the Netherlands in March, France in May and Germany in September. However there are also presidential elections in Hungary, Serbia and Slovenia in 2017.
- 4.5. As well as the economic considerations noted above, there are changing attitudes to the pace and direction of globalisation in a number of major countries that also impact many emerging markets as well. For example;
- 4.5.1. China are strongly promoting an internationalist view to promote trade while in the USA the discussion is more about withdrawing from multi-lateral agreements to pursue stronger local growth or bi-lateral trade deals.
 - 4.5.2. It is clear though that the global and European economies have over the last 50 years or so built incredibly interconnected supply chains which are complex to unravel but also very sensitive to cost and time delays which in turn shift the patterns of significant amounts of foreign direct investment.
 - 4.5.3. As the UK is looking for more international trade with countries outside of the EU, the World Trade Organisation (WTO) concluded the Trade Facilitation Agreement (TFA) in February 2017 when it was ratified by 2/3 of members (over 110 countries). The TFA supports multi-lateral trading arrangements with the potential to reduce the time and cost of importing and exporting goods. To put this in context it is estimated that the cost to the UK of moving to WTO tariffs on its net trade with the EU would be £7.6bn or 0.4% of GDP.

National

- 4.6. In the discussions to date three key reasons have been repeatedly quoted as to why the UK electorate voted as it did. They were to: 1) reduce immigration; 2) reinstate the national sovereignty of parliament and the law, and 3) support economic growth.

- 4.7. The Government has presented its approach to Brexit in a paper from the Prime Minister in January 2017. This sets out the main objective as to negotiate a new, positive and constructive partnership between Britain and the EU. This objective is underpinned by five principles and 12 priorities. The Prime Minister's report is presented at Appendix B.
- 4.8. In summary the principles are for: 1) Certainty and Clarity; 2) A stronger Britain; 3) A fairer Britain; 4) A truly global Britain; and 5) A phased approach. The 12 priorities in short are:
- *Providing certainty and clarity* – We will provide certainty wherever we can as we approach the negotiations.
 - *Taking control of our own laws* – We will take control of our own statute book and bring an end to the jurisdiction of the Court of Justice of the European Union in the UK.
 - *Strengthening the Union* – We will secure a deal that works for the entire UK – for Scotland, Wales, Northern Ireland and all parts of England. We remain fully committed to the Belfast Agreement and its successors.
 - *Protecting our strong and historic ties with Ireland and maintaining the Common Travel Area* – We will work to deliver a practical solution that allows for the maintenance of the Common Travel Area, whilst protecting the integrity of our immigration system and which protects our strong ties with Ireland.
 - *Controlling immigration* – We will have control over the number of EU nationals coming to the UK.
 - *Securing rights for EU nationals in the UK, and UK nationals in the EU* – We want to secure the status of EU citizens who are already living in the UK, and that of UK nationals in other Member States, as early as we can.
 - *Protecting workers' rights* – We will protect and enhance existing workers' rights.
 - *Ensuring free trade with European markets* – We will forge a new strategic partnership with the EU, including a wide reaching, bold and ambitious free trade agreement, and will seek a mutually beneficial new customs agreement with the EU.
 - *Securing new trade agreements with other countries* – We will forge ambitious free trade relationships across the world.
 - *Ensuring the UK remains the best place for science and innovation* – We will remain at the vanguard of science and innovation and will seek continued close collaboration with our European partners.
 - *Cooperating in the fight against crime and terrorism* – We will continue to work with the EU to preserve European security, to fight terrorism, and to uphold justice across Europe.
 - *Delivering a smooth, orderly exit from the EU* – We will seek a phased process of implementation, in which both the UK and the EU institutions and the remaining EU Member States prepare for the new arrangements that will exist between us.
- 4.9. As well as delivering the Brexit agenda the Government has to continue to deliver business as usual while also preparing for day one post Brexit. In this context it is worth noting that over the last 43 years as a member of the EU a number of regulation functions have been transferred to the EU. And with public sector

austerity since 2010 the Civil Service has reduced by 20%. There are therefore real questions about the structures, capacity and skills to be rebuilt in government to manage the UK post Brexit. In particular;

- 4.9.1. There is a need to define and build a new framework for the way the UK government will operate at home and abroad, including the institutions required to support this.
 - 4.9.2. This will also require the implementation of systems and policies for day 1 post Brexit. For example; new immigration laws, border control agencies, an effective customs regime, and appropriate regulatory bodies for areas such as the environment, medicines, energy, communications, etc..
- 4.10. In terms of the legal framework that will apply, the government is proposing to pass a Great Repeal Bill. This is effectively a lift and shift of EU regulations into UK law from where they can then be amended, or removed over time. The Great Repeal Bill was announced to Parliament on 10 October 2016. The Bill has three primary elements:
- 4.10.1. First, it will repeal the European Communities Act 1972, and in so doing, return power to UK politicians and institutions.
 - 4.10.2. Second, the Bill will preserve EU law where it stands at the moment before we leave the EU. Parliament (and, where appropriate, the devolved legislatures) will then be able to decide which elements of that law to keep, amend or repeal once we have left the EU. The UK courts will then apply those decisions of Parliament and the devolved legislatures.
 - 4.10.3. Finally, the Bill will enable changes to be made by secondary legislation to the laws that would otherwise not function sensibly once we have left the EU, so that our legal system continues to function correctly outside the EU.
- 4.11. One area to be resolved that has already been noted is the reciprocal arrangements for EU nationals in the UK and the UK nationals in the EU. This covers their residency, worker and personal rights (e.g. reciprocal Healthcare costs). There are currently 2.8m Europeans resident on the UK and around 1.0m Brits living or working in the EU, plus the many millions more visiting each year.

London

- 4.12. London is dominated by the Financial Services industry for which it is one of the three global hubs along with New York and Singapore. Possible cracks in the integration of this work are already being seen in the take up of office space in other financial centres (notably Dublin, Paris and Frankfurt) and the collapse of the proposed merger between the Deutsche Bourse and the London Stock Exchange. As noted above this is an area of trade with the EU that delivers a surplus. Some of the considerations to be clarified as part of Brexit are:
- Regulatory framework to apply
 - Ability to passport services cross border

- Attractiveness of place to support development of capabilities and skills
- Access to other markets, including transport hubs
- Centre of gravity for corporate listings, mergers and acquisitions, currently exchange, other..

4.13. Both the position of London as a global centre and the value of the trade are at risk if this industry reduces. For London this is a critical risk, for the sector and all the associated business and community implications it entails.

Lewisham

4.14. In terms of the more local implications for Lewisham and the Council as a major local employer along with other public sector organisations (in particular the Health and Education sectors) there three main challenges from Brexit: 1) People; 2) Costs; and 3) Funding streams.

- 4.14.1. People – the main concern is uncertainty in respect of workforce. In London some 20% of the population were born abroad, many in the EU. Where will the numbers and skills come from to supply the workforce needed in the future. At what costs to secure supply in the short time and with what training and development needs in the medium term
- 4.14.2. Costs – given the complexity of supply chains and business interconnections with Europe there will almost certainly be unintended consequences from Brexit. As noted above for London this will have implications for the cost of doing business, the access to global investments for pension funds, returns from London registered operations, and other changes to asset valuations (in particular in respect of property prices in London).
- 4.14.3. EU funding for research and economic development. A number of aspects of medical research, university study, skills training are currently funded by EU programmes. How these are funded in the future has to be resolved and against what priorities. For example; London is recognised as a congested and polluted city but will the UK post Brexit hold it to the same standards. At a more local level will schemes such as the Erasmus one to provide exposure to learning and culture in Europe continue to give young people in Lewisham the same opportunities as they currently have.

5. Timetable / Next Steps

- 5.1. Looking forward it is expected, whether the Lords have concluded their scrutiny or not, that the Prime Minister will trigger the Article 50 notification for the UK to withdraw from the EU in March 2017. This will set the two year countdown running, although this can be extended if all Member States agree.
- 5.2. Within this time the terms of Brexit will need to be negotiated and leave time for all Members to vote on the proposed terms, including some that under their constitutions need to hold referendum, and then the EU parliament.
- 5.3. The UK will then leave the EU at the end of March 2019 with or without an agreement. If there is no agreement the UK's relationship with the EU will fall back

on the wider international framework for international relations, in particular the WTO for all trading relationships.

- 5.4. A schematic overview of the timetable and steps to concluding Brexit is set out at Appendix C to this report.

6. Legal Implications

- 6.1. There are no legal implications arising directly from this report.

7. Financial Implications

- 7.1. There are no financial implications arising directly from this report.

8. Equalities Implications

- 8.1. There are no Equalities implications arising directly from this report.

9. Crime and Disorder Implications

- 9.1. There are no crime and disorder implications arising directly from this report.

10. Environmental Implications

- 10.1. There are no legal implications arising directly from this report.

11. Background Papers

- 11.1. There are no background papers to this report. If there are any queries, please contact: David Austin, Head of Corporate Resources on 020 8314 9114.

APPENDIX A

European Union (Notification of Withdrawal) Bill

26 January 2017

A **Bill** to

Confer power on the Prime Minister to notify, under Article 50(2) of the Treaty on European Union, the United Kingdom's intention to withdraw from the EU.

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Power to notify withdrawal from the EU

(1) The Prime Minister may notify, under Article 50(2) of the Treaty on European Union, the United Kingdom's intention to withdraw from the EU.

(2) This section has effect despite any provision made by or under the European Communities Act 1972 or any other enactment.

2 Short title

This Act may be cited as the European Union (Notification of Withdrawal) Act 2017.

APPENDIX B

Prime Minister Theresa May set out the Plan for Britain, including the 12 priorities that the UK government will use to negotiate Brexit.

Published 17 January 2017

A little over 6 months ago, the British people voted for change.

They voted to shape a brighter future for our country.

They voted to leave the European Union and embrace the world.

And they did so with their eyes open: accepting that the road ahead will be uncertain at times, but believing that it leads towards a brighter future for their children – and their grandchildren too.

And it is the job of this government to deliver it. That means more than negotiating our new relationship with the EU. It means taking the opportunity of this great moment of national change to step back and ask ourselves what kind of country we want to be.

My answer is clear. I want this United Kingdom to emerge from this period of change stronger, fairer, more united and more outward-looking than ever before. I want us to be a secure, prosperous, tolerant country – a magnet for international talent and a home to the pioneers and innovators who will shape the world ahead. I want us to be a truly Global Britain – the best friend and neighbour to our European partners, but a country that reaches beyond the borders of Europe too. A country that goes out into the world to build relationships with old friends and new allies alike.

I want Britain to be what we have the potential, talent and ambition to be. A great, global trading nation that is respected around the world and strong, confident and united at home.

A Plan for Britain

That is why this government has a Plan for Britain. One that gets us the right deal abroad but also ensures we get a better deal for ordinary working people at home.

It's why that plan sets out how we will use this moment of change to build a stronger economy and a fairer society by embracing genuine economic and social reform.

Why our new Modern Industrial Strategy is being developed, to ensure every nation and area of the United Kingdom can make the most of the opportunities ahead.

Why we will go further to reform our schools to ensure every child has the knowledge and the skills they need to thrive in post-Brexit Britain.

Why as we continue to bring the deficit down, we will take a balanced approach by investing in our economic infrastructure – because it can transform the growth potential of our economy and improve the quality of people's lives across the whole country.

It's why we will put the preservation of our precious Union at the heart of everything we do. Because it is only by coming together as one great union of nations and people that we can make the most of the opportunities ahead. The result of the referendum was not a decision to turn inward and retreat from the world.

Because Britain's history and culture is profoundly internationalist.

We are a European country – and proud of our shared European heritage – but we are also a country that has always looked beyond Europe to the wider world. That is why we are one of the most racially diverse countries in Europe, one of the most multicultural members of the European Union, and why – whether we are talking about India, Pakistan, Bangladesh, America, Australia, Canada, New Zealand, countries in Africa or those that are closer to home in Europe – so many of us have close friends and relatives from across the world.

Instinctively, we want to travel to, study in, trade with countries not just in Europe but beyond the borders of our continent. Even now as we prepare to leave the EU, we are planning for the next biennial Commonwealth Heads of Government meeting in 2018 – a reminder of our unique and proud global relationships.

A message from Britain to the rest of Europe

And it is important to recognise this fact. June the 23rd was not the moment Britain chose to step back from the world. It was the moment we chose to build a truly Global Britain.

I know that this – and the other reasons Britain took such a decision – is not always well understood among our friends and allies in Europe. And I know many fear that this might herald the beginning of a greater unravelling of the EU.

But let me be clear: I do not want that to happen. It would not be in the best interests of Britain. It remains overwhelmingly and compellingly in Britain's national interest that the EU should succeed. And that is why I hope in the months and years ahead we will all reflect on the lessons of Britain's decision to leave.

So let me take this opportunity to set out the reasons for our decision and to address the people of Europe directly.

It's not simply because our history and culture is profoundly internationalist, important though that is. Many in Britain have always felt that the United Kingdom's place in the European Union came at the expense of our global ties, and of a bolder embrace of free trade with the wider world.

There are other important reasons too.

Our political traditions are different. Unlike other European countries, we have no written constitution, but the principle of Parliamentary Sovereignty is the basis of our unwritten constitutional settlement. We have only a recent history of devolved governance – though it has rapidly embedded itself – and we have little history of coalition government.

The public expect to be able to hold their governments to account very directly, and as a result supranational institutions as strong as those created by the European Union sit very uneasily in relation to our political history and way of life.

And, while I know Britain might at times have been seen as an awkward member state, the European Union has struggled to deal with the diversity of its member countries and their interests. It bends towards uniformity, not flexibility.

David Cameron's negotiation was a valiant final attempt to make it work for Britain – and I want to thank all those elsewhere in Europe who helped him reach an agreement – but the blunt truth, as we know, is that there was not enough flexibility on many important matters for a majority of British voters.

Now I do not believe that these things apply uniquely to Britain. Britain is not the only member state where there is a strong attachment to accountable and democratic government, such a strong internationalist mindset, or a belief that diversity within Europe should be celebrated. And so I believe there is a lesson in Brexit not just for Britain but, if it wants to succeed, for the EU itself.

Because our continent's great strength has always been its diversity. And there are 2 ways of dealing with different interests. You can respond by trying to hold things together by force, tightening a vice-like grip that ends up crushing into tiny pieces the very things you want to protect. Or you can respect difference, cherish it even, and reform the EU so that it deals better with the wonderful diversity of its member states.

So to our friends across Europe, let me say this.

Our vote to leave the European Union was no rejection of the values we share. The decision to leave the EU represents no desire to become more distant to you, our friends and neighbours. It was no attempt to do harm to the EU itself or to any of its remaining member states. We do not want to turn the clock back to the days when Europe was less peaceful, less secure and less able to trade freely. It was a vote to restore, as we see it, our parliamentary democracy, national self-determination, and to become even more global and internationalist in action and in spirit.

We will continue to be reliable partners, willing allies and close friends. We want to buy your goods and services, sell you ours, trade with you as freely as possible, and work with one another to make sure we are all safer, more secure and more prosperous through continued friendship.

You will still be welcome in this country as we hope our citizens will be welcome in yours. At a time when together we face a serious threat from our enemies, Britain's unique intelligence capabilities will continue to help to keep people in Europe safe from terrorism. And at a time when there is growing concern about European security, Britain's servicemen and women, based in European countries including Estonia, Poland and Romania, will continue to do their duty.

We are leaving the European Union, but we are not leaving Europe.

And that is why we seek a new and equal partnership – between an independent, self-governing, Global Britain and our friends and allies in the EU.

Not partial membership of the European Union, associate membership of the European Union, or anything that leaves us half-in, half-out. We do not seek to adopt a model already enjoyed by other countries. We do not seek to hold on to bits of membership as we leave.

No, the United Kingdom is leaving the European Union. And my job is to get the right deal for Britain as we do.

Objectives and ambitions

So today I want to outline our objectives for the negotiation ahead. Twelve objectives that amount to one big goal: a new, positive and constructive partnership between Britain and the European Union.

And as we negotiate that partnership, we will be driven by some simple principles: we will provide as much certainty and clarity as we can at every stage. And we will take this

opportunity to make Britain stronger, to make Britain fairer, and to build a more Global Britain too.

Certainty and clarity

1. Certainty

The first objective is crucial. We will provide certainty wherever we can.

We are about to enter a negotiation. That means there will be give and take. There will have to be compromises. It will require imagination on both sides. And not everybody will be able to know everything at every stage.

But I recognise how important it is to provide business, the public sector, and everybody with as much certainty as possible as we move through the process.

So where we can offer that certainty, we will do so.

That is why last year we acted quickly to give clarity about farm payments and university funding. And it is why, as we repeal the European Communities Act, we will convert the 'acquis' – the body of existing EU law – into British law.

This will give the country maximum certainty as we leave the EU. The same rules and laws will apply on the day after Brexit as they did before. And it will be for the British Parliament to decide on any changes to that law after full scrutiny and proper Parliamentary debate.

And when it comes to Parliament, there is one other way in which I would like to provide certainty. I can confirm today that the Government will put the final deal that is agreed between the UK and the EU to a vote in both Houses of Parliament, before it comes into force.

A stronger Britain

Our second guiding principle is to build a stronger Britain.

2. Control of our own laws

That means taking control of our own affairs, as those who voted in their millions to leave the European Union demanded we must.

So we will take back control of our laws and bring an end to the jurisdiction of the European Court of Justice in Britain. Leaving the European Union will mean that our laws will be made in Westminster, Edinburgh, Cardiff and Belfast. And those laws will be interpreted by judges not in Luxembourg but in courts across this country.

Because we will not have truly left the European Union if we are not in control of our own laws.

3. Strengthen the Union

A stronger Britain demands that we do something else – strengthen the precious union between the 4 nations of the United Kingdom.

At this momentous time, it is more important than ever that we face the future together, united by what makes us strong: the bonds that unite us as a people, and our shared interest in the UK being an open, successful trading nation in the future.

And I hope that same spirit of unity will apply in Northern Ireland in particular over the coming months in the Assembly elections, and the main parties there will work together to re-establish a partnership government as soon as possible.

Foreign affairs are of course the responsibility of the UK government, and in dealing with them we act in the interests of all parts of the United Kingdom. As prime minister, I take that responsibility seriously.

I have also been determined from the start that the devolved administrations should be fully engaged in this process.

That is why the government has set up a Joint Ministerial Committee on EU Negotiations, so ministers from each of the UK's devolved administrations can contribute to the process of planning for our departure from the European Union.

We have already received a paper from the Scottish government, and look forward to receiving a paper from the Welsh government shortly. Both papers will be considered as part of this important process. We won't agree on everything, but I look forward to working with the administrations in Scotland, Wales and Northern Ireland to deliver a Brexit that works for the whole of the United Kingdom.

Part of that will mean working very carefully to ensure that – as powers are repatriated from Brussels back to Britain – the right powers are returned to Westminster, and the right powers are passed to the devolved administrations of Scotland, Wales and Northern Ireland.

As we do so, our guiding principle must be to ensure that – as we leave the European Union – no new barriers to living and doing business within our own Union are created,

That means maintaining the necessary common standards and frameworks for our own domestic market, empowering the UK as an open, trading nation to strike the best trade deals around the world, and protecting the common resources of our islands.

And as we do this, I should equally be clear that no decisions currently taken by the devolved administrations will be removed from them.

4. Maintain the Common Travel Area with Ireland

We cannot forget that, as we leave, the United Kingdom will share a land border with the EU, and maintaining that Common Travel Area with the Republic of Ireland will be an important priority for the UK in the talks ahead. There has been a Common Travel Area between the UK and the Republic of Ireland for many years.

Indeed, it was formed before either of our 2 countries were members of the European Union. And the family ties and bonds of affection that unite our 2 countries mean that there will always be a special relationship between us.

So we will work to deliver a practical solution that allows the maintenance of the Common Travel Area with the Republic, while protecting the integrity of the United Kingdom's immigration system.

Nobody wants to return to the borders of the past, so we will make it a priority to deliver a practical solution as soon as we can.

A fairer Britain

The third principle is to build a fairer Britain. That means ensuring it is fair to everyone who lives and works in this country.

5. Control of immigration

And that is why we will ensure we can control immigration to Britain from Europe.

We will continue to attract the brightest and the best to work or study in Britain – indeed openness to international talent must remain one of this country's most distinctive assets – but that process must be managed properly so that our immigration system serves the national interest.

So we will get control of the number of people coming to Britain from the EU.

Because while controlled immigration can bring great benefits – filling skills shortages, delivering public services, making British businesses the world-beaters they often are – when the numbers get too high, public support for the system falters.

In the last decade or so, we have seen record levels of net migration in Britain, and that sheer volume has put pressure on public services, like schools, stretched our infrastructure, especially housing, and put a downward pressure on wages for working class people. As home secretary for 6 years, I know that you cannot control immigration overall when there is free movement to Britain from Europe.

Britain is an open and tolerant country. We will always want immigration, especially high-skilled immigration, we will always want immigration from Europe, and we will always welcome individual migrants as friends. But the message from the public before and during the referendum campaign was clear: Brexit must mean control of the number of people who come to Britain from Europe. And that is what we will deliver.

6. Rights for EU nationals in Britain, and British nationals in the EU

Fairness demands that we deal with another issue as soon as possible too. We want to guarantee the rights of EU citizens who are already living in Britain, and the rights of British nationals in other member states, as early as we can.

I have told other EU leaders that we could give people the certainty they want straight away, and reach such a deal now.

Many of them favour such an agreement – 1 or 2 others do not – but I want everyone to know that it remains an important priority for Britain – and for many other member states – to resolve this challenge as soon as possible. Because it is the right and fair thing to do.

7. Protect workers' rights

And a fairer Britain is a country that protects and enhances the rights people have at work. That is why, as we translate the body of European law into our domestic regulations, we will ensure that workers rights are fully protected and maintained.

Indeed, under my leadership, not only will the government protect the rights of workers set out in European legislation, we will build on them. Because under this government, we will make sure legal protection for workers keeps pace with the changing labour market – and that the voices of workers are heard by the boards of publicly-listed companies for the first time.

A Truly Global Britain

But the great prize for this country – the opportunity ahead – is to use this moment to build a truly Global Britain. A country that reaches out to old friends and new allies alike. A great, global, trading nation. And one of the firmest advocates for free trade anywhere in the world.

8. Free trade with European markets

That starts with our close friends and neighbours in Europe. So as a priority, we will pursue a bold and ambitious free trade agreement with the European Union.

This agreement should allow for the freest possible trade in goods and services between Britain and the EU's member states. It should give British companies the maximum freedom to trade with and operate within European markets – and let European businesses do the same in Britain.

But I want to be clear. What I am proposing cannot mean membership of the single market. European leaders have said many times that membership means accepting the '4 freedoms' of goods, capital, services and people. And being out of the EU but a member of the single market would mean complying with the EU's rules and regulations that implement those freedoms, without having a vote on what those rules and regulations are. It would mean accepting a role for the European Court of Justice that would see it still having direct legal authority in our country.

It would to all intents and purposes mean not leaving the EU at all.

And that is why both sides in the referendum campaign made it clear that a vote to leave the EU would be a vote to leave the single market.

So we do not seek membership of the single market. Instead we seek the greatest possible access to it through a new, comprehensive, bold and ambitious free trade agreement.

That agreement may take in elements of current single market arrangements in certain areas – on the export of cars and lorries for example, or the freedom to provide financial services across national borders – as it makes no sense to start again from scratch when Britain and the remaining Member States have adhered to the same rules for so many years.

But I respect the position taken by European leaders who have been clear about their position, just as I am clear about mine. So an important part of the new strategic partnership we seek with the EU will be the pursuit of the greatest possible access to the single market, on a fully reciprocal basis, through a comprehensive free trade agreement.

And because we will no longer be members of the single market, we will not be required to contribute huge sums to the EU budget. There may be some specific European programmes in which we might want to participate. If so, and this will be for us to decide, it is reasonable that we should make an appropriate contribution. But the principle is clear: the days of Britain making vast contributions to the European Union every year will end.

9. New trade agreements with other countries

But it is not just trade with the EU we should be interested in. A Global Britain must be free to strike trade agreements with countries from outside the European Union too.

Because important though our trade with the EU is and will remain, it is clear that the UK needs to increase significantly its trade with the fastest growing export markets in the world. Since joining the EU, trade as a percentage of GDP has broadly stagnated in the UK. That is why it is time for Britain to get out into the world and rediscover its role as a great, global, trading nation.

This is such a priority for me that when I became Prime Minister I established, for the first time, a Department for International Trade, led by Liam Fox.

We want to get out into the wider world, to trade and do business all around the globe. Countries including China, Brazil, and the Gulf States have already expressed their interest in striking trade deals with us. We have started discussions on future trade ties with countries like Australia, New Zealand and India. And President-Elect Trump has said Britain is not “at the back of the queue” for a trade deal with the United States, the world’s biggest economy, but front of the line.

I know my emphasis on striking trade agreements with countries outside Europe has led to questions about whether Britain seeks to remain a member of the EU’s Customs Union. And it is true that full Customs Union membership prevents us from negotiating our own comprehensive trade deals.

Now, I want Britain to be able to negotiate its own trade agreements. But I also want tariff-free trade with Europe and cross-border trade there to be as frictionless as possible.

That means I do not want Britain to be part of the Common Commercial Policy and I do not want us to be bound by the Common External Tariff. These are the elements of the Customs Union that prevent us from striking our own comprehensive trade agreements with other countries. But I do want us to have a customs agreement with the EU.

Whether that means we must reach a completely new customs agreement, become an associate member of the Customs Union in some way, or remain a signatory to some elements of it, I hold no preconceived position. I have an open mind on how we do it. It is not the means that matter, but the ends.

And those ends are clear: I want to remove as many barriers to trade as possible. And I want Britain to be free to establish our own tariff schedules at the World Trade Organisation, meaning we can reach new trade agreements not just with the European Union but with old friends and new allies from outside Europe too.

10. The best place for science and innovation

A Global Britain must also be a country that looks to the future. That means being one of the best places in the world for science and innovation.

One of our great strengths as a nation is the breadth and depth of our academic and scientific communities, backed up by some of the world’s best universities. And we have a proud history of leading and supporting cutting-edge research and innovation.

So we will also welcome agreement to continue to collaborate with our European partners on major science, research, and technology initiatives.

From space exploration to clean energy to medical technologies, Britain will remain at the forefront of collective endeavours to better understand, and make better, the world in which we live.

11. Co-operation in the fight against crime and terrorism

And a Global Britain will continue to co-operate with its European partners in important areas such as crime, terrorism and foreign affairs.

All of us in Europe face the challenge of cross-border crime, a deadly terrorist threat, and the dangers presented by hostile states. All of us share interests and values in common, values we want to see projected around the world.

With the threats to our common security becoming more serious, our response cannot be to co-operate with one another less, but to work together more. I therefore want our future relationship with the European Union to include practical arrangements on matters of law enforcement and the sharing of intelligence material with our EU allies.

I am proud of the role Britain has played and will continue to play in promoting Europe's security. Britain has led Europe on the measures needed to keep our continent secure – whether it is implementing sanctions against Russia following its action in Crimea, working for peace and stability in the Balkans, or securing Europe's external border. We will continue to work closely with our European allies in foreign and defence policy even as we leave the EU itself.

A phased approach

12. A smooth, orderly Brexit

These are our objectives for the negotiation ahead – objectives that will help to realise our ambition of shaping that stronger, fairer, Global Britain that we want to see.

They are the basis for a new, strong, constructive partnership with the European Union – a partnership of friends and allies, of interests and values. A partnership for a strong EU and a strong UK.

But there is one further objective we are setting. For as I have said before – it is in no one's interests for there to be a cliff-edge for business or a threat to stability, as we change from our existing relationship to a new partnership with the EU.

By this, I do not mean that we will seek some form of unlimited transitional status, in which we find ourselves stuck forever in some kind of permanent political purgatory. That would not be good for Britain, but nor do I believe it would be good for the EU.

Instead, I want us to have reached an agreement about our future partnership by the time the 2-year Article 50 process has concluded. From that point onwards, we believe a phased process of implementation, in which both Britain and the EU institutions and member states prepare for the new arrangements that will exist between us will be in our mutual self-interest. This will give businesses enough time to plan and prepare for those new arrangements.

This might be about our immigration controls, customs systems or the way in which we co-operate on criminal justice matters. Or it might be about the future legal and regulatory framework for financial services. For each issue, the time we need to phase-in the new arrangements may differ. Some might be introduced very quickly, some might take longer. And the interim arrangements we rely upon are likely to be a matter of negotiation.

But the purpose is clear: we will seek to avoid a disruptive cliff-edge, and we will do everything we can to phase in the new arrangements we require as Britain and the EU move towards our new partnership.

The right deal for Britain

So, these are the objectives we have set. Certainty wherever possible. Control of our own laws. Strengthening the United Kingdom. Maintaining the Common Travel Area with Ireland. Control of immigration. Rights for EU nationals in Britain, and British nationals in the EU. Enhancing rights for workers. Free trade with European markets. New trade agreements with other countries. A leading role in science and innovation. Co-operation on crime, terrorism and foreign affairs. And a phased approach, delivering a smooth and orderly Brexit.

This is the framework of a deal that will herald a new partnership between the UK and the EU.

It is a comprehensive and carefully considered plan that focuses on the ends, not just the means – with its eyes fixed firmly on the future, and on the kind of country we will be once we leave.

It reflects the hard work of many in this room today who have worked tirelessly to bring it together and to prepare this country for the negotiation ahead.

And it will, I know, be debated and discussed at length. That is only right. But those who urge us to reveal more – such as the blow-by-blow details of our negotiating strategy, the areas in which we might compromise, the places where we think there are potential trade-offs – will not be acting in the national interest.

Because this is not a game or a time for opposition for opposition's sake. It is a crucial and sensitive negotiation that will define the interests and the success of our country for many years to come. And it is vital that we maintain our discipline.

That is why I have said before – and will continue to say – that every stray word and every hyped up media report is going to make it harder for us to get the right deal for Britain. Our opposite numbers in the European Commission know it, which is why they are keeping their discipline. And the ministers in this government know it too, which is why we will also maintain ours.

So however frustrating some people find it, the government will not be pressured into saying more than I believe it is in our national interest to say. Because it is not my job to fill column inches with daily updates, but to get the right deal for Britain. And that is what I intend to do.

A new partnership between Britain and Europe

I am confident that a deal – and a new strategic partnership between the UK and the EU – can be achieved.

This is firstly because, having held conversations with almost every leader from every single EU member state; having spent time talking to the senior figures from the European institutions, including President Tusk, President Juncker, and President Schulz; and after my Cabinet colleagues David Davis, Philip Hammond and Boris Johnson have done the

same with their interlocutors, I am confident that the vast majority want a positive relationship between the UK and the EU after Brexit.

And I am confident that the objectives I am setting out today are consistent with the needs of the EU and its member states.

That is why our objectives include a proposed free trade agreement between Britain and the European Union, and explicitly rule out membership of the EU's single market. Because when the EU's leaders say they believe the 4 freedoms of the single market are indivisible, we respect that position. When the 27 member states say they want to continue their journey inside the European Union, we not only respect that fact but support it.

Because we do not want to undermine the single market, and we do not want to undermine the European Union. We want the EU to be a success and we want its remaining member states to prosper. And of course we want the same for Britain.

And the second reason I believe it is possible to reach a good deal is that the kind of agreement I have described today is the economically rational thing that both Britain and the EU should aim for. Because trade is not a zero sum game: more of it makes us all more prosperous. Free trade between Britain and the European Union means more trade, and more trade means more jobs and more wealth creation. The erection of new barriers to trade, meanwhile, means the reverse: less trade, fewer jobs, lower growth.

The third and final reason I believe we can come to the right agreement is that co-operation between Britain and the EU is needed not just when it comes to trade but when it comes to our security too.

Britain and France are Europe's only 2 nuclear powers. We are the only 2 European countries with permanent seats on the United Nations Security Council. Britain's armed forces are a crucial part of Europe's collective defence.

And our intelligence capabilities – unique in Europe – have already saved countless lives in very many terrorist plots that have been thwarted in countries across our continent. After Brexit, Britain wants to be a good friend and neighbour in every way, and that includes defending the safety and security of all of our citizens.

So I believe the framework I have outlined today is in Britain's interests. It is in Europe's interests. And it is in the interests of the wider world.

But I must be clear. Britain wants to remain a good friend and neighbour to Europe. Yet I know there are some voices calling for a punitive deal that punishes Britain and discourages other countries from taking the same path.

That would be an act of calamitous self-harm for the countries of Europe. And it would not be the act of a friend. Britain would not – indeed we could not – accept such an approach. And while I am confident that this scenario need never arise – while I am sure a positive agreement can be reached – I am equally clear that no deal for Britain is better than a bad deal for Britain.

Because we would still be able to trade with Europe. We would be free to strike trade deals across the world. And we would have the freedom to set the competitive tax rates and embrace the policies that would attract the world's best companies and biggest investors to Britain. And – if we were excluded from accessing the single market – we would be free to change the basis of Britain's economic model.

But for the EU, it would mean new barriers to trade with one of the biggest economies in the world. It would jeopardise investments in Britain by EU companies worth more than half a trillion pounds. It would mean a loss of access for European firms to the financial services of the City of London. It would risk exports from the EU to Britain worth around £290 billion every year. And it would disrupt the sophisticated and integrated supply chains upon which many EU companies rely.

Important sectors of the EU economy would also suffer. We are a crucial – profitable – export market for Europe's automotive industry, as well as sectors including energy, food and drink, chemicals, pharmaceuticals, and agriculture. These sectors employ millions of people around Europe. And I do not believe that the EU's leaders will seriously tell German exporters, French farmers, Spanish fishermen, the young unemployed of the Eurozone, and millions of others, that they want to make them poorer, just to punish Britain and make a political point.

For all these reasons – and because of our shared values and the spirit of goodwill that exists on both sides – I am confident that we will follow a better path. I am confident that a positive agreement can be reached. It is right that the government should prepare for every eventuality – but to do so in the knowledge that a constructive and optimistic approach to the negotiations to come is in the best interests of Europe and the best interests of Britain.

Conclusion

We do not approach these negotiations expecting failure, but anticipating success.

Because we are a great, global nation with so much to offer Europe and so much to offer the world.

One of the world's largest and strongest economies. With the finest intelligence services, the bravest armed forces, the most effective hard and soft power, and friendships, partnerships and alliances in every continent.

And another thing that's important. The essential ingredient of our success. The strength and support of 65 million people willing us to make it happen.

Because after all the division and discord, the country is coming together.

The referendum was divisive at times. And those divisions have taken time to heal.

But one of the reasons that Britain's democracy has been such a success for so many years is that the strength of our identity as one nation, the respect we show to one another as fellow citizens, and the importance we attach to our institutions means that when a vote has been held we all respect the result. The victors have the responsibility to act magnanimously. The losers have the responsibility to respect the legitimacy of the outcome. And the country comes together.

And that is what we are seeing today. Business isn't calling to reverse the result, but planning to make a success of it. The House of Commons has voted overwhelmingly for us to get on with it. And the overwhelming majority of people – however they voted – want us to get on with it too.

So that is what we will do.

Not merely forming a new partnership with Europe, but building a stronger, fairer, more Global Britain too.

And let that be the legacy of our time. The prize towards which we work. The destination at which we arrive once the negotiation is done.

And let us do it not for ourselves, but for those who follow. For the country's children and grandchildren too.

So that when future generations look back at this time, they will judge us not only by the decision that we made, but by what we made of that decision.

They will see that we shaped them a brighter future.

They will know that we built them a better Britain.

APPENDIX C

Overview of steps to leaving the EU (source: BBC)

