Subject: **BREXIT AND GREAT YARMOUTH DOCUMENT**

Report to: Economic Development Committee – 19 November 2018

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SUBJECT MATTER/RECOMMENDATIONS

This report provides a background to the draft *Brexit and Great Yarmouth* document, compiled by officers at the Council, which is included as an appendix. Members are asked to:

1. Consider whether or not they wish to add to the two appended papers already published by New Anglia LEP and Norfolk County Council by adopting a Great Yarmouth-focused document;
2. Review the *Brexit and Great Yarmouth* document and provide comment;
3. Endorse its adoption as a *living document* that would be updated periodically to reflect developments.

1 BACKGROUND

1.1 Norfolk County Council and New Anglia Local Enterprise Partnership (LEP) have each published documents that analyse Brexit in relation to their respective constituencies and priorities and each is appended to this Report. A need was identified to integrate and extend these and make them more relevant to Great Yarmouth Borough Council, its residents and businesses.

1.2 The document is intended to be a *living document* that would be updated periodically to reflect developments – including the terms of ongoing negotiations with the EU – and react to specific challenges and opportunities as they arise.

1.3 There is no specific deadline associated with this exercise. It is noted that there are numerous uncertainties implicit in complex, ongoing negotiations of this kind and, therefore, inherent difficulties in analysing and updating challenges and opportunities on that basis.

2 THE RESPONSE

2.1 The document is effectively a snapshot, drawing heavily upon LEP and County analyses and other contemporary information/commentary. It represents an attempt to compile an objective, evidence-based response focused on the Borough.

2.2 It also sets out obvious opportunities for Council intervention, summarised as follows:

- ensure that [*Brexit and Great Yarmouth*] is a *living document*, updated periodically to reflect developments and react to specific, emerging challenges and opportunities – including any new market-development and export opportunities;
- actively monitor the Brexit process and, wherever practicable, provide information and support to local residents and businesses in partnership – including working

with other business-facing organisations, such as Norfolk Chamber of Commerce, to deliver responsive, topical events and workshops, seminars and drop-in sessions as the UK prepares to leave the EU;

- identify channels through which it can actively promote the *Business Brexit Checklist* and *Business Brexit Risk Register*, published by the British Chambers of Commerce, and other practical information resources;
- seek to maximise the accessibility and visibility of the proposed Business Advisor and New Anglia Growth Hub locally;
- seek closer co-operation with the LEP and the County Council to ensure that the Borough's interests and those of its important sectors are fully reflected in key policies and strategies, such as the Local Industrial Strategy, Growth Deals and UK Shared Prosperity Fund operational programme;
- continue to actively engage with the Great Yarmouth Economic Reference Group, which comprises the Borough, partners from industry, commerce, education, culture and the public and third sectors. The Group serves to improve cooperation and communication across the local economy and, in particular, delivery of the Economic Growth Action Plan and the Borough's Economic Growth Strategy , adopted by the Council in 2017.
- actively explore ways to make its 'offer' and 'sense of place' more coherent for residents, potential residents, tourists and investors, encouraging private sector collaboration and ownership to grow the local economy and get businesses involved in promoting Great Yarmouth as a fast-growing coastal 'Enterprise Town', attracting inward investment and skilled workers to service growth opportunities and economic regeneration.
- continue to direct the new Head of Inward Investment and Regeneration & Funding Manager posts in support of these activities to champion local enterprise and drive local inward investment and economic resilience, growth and capacity.

3 FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications for the Council arising from the document, but it recognises that Council-managed venues (for example, The Catalyst) could be used to host or co-host relevant seminars or other outreach activities as and when the need/demand is established.

4 RISK IMPLICATIONS

4.1 There are no obvious direct risk implications arising from this document.

5 CONCLUSIONS

5.1 Officers have compiled a draft document, which is appended to this report.

6 RECOMMENDATIONS

6.1 This report provides a background and overview document, as coordinated by officers in the Council.

Members are asked to:

1. Consider whether or not they wish to add to the two appended papers already

published by New Anglia LEP and Norfolk County Council by adopting a Great Yarmouth-focused document;
2. Review the draft *Brexit and Great Yarmouth* document and provide comment;
3. Endorse its adoption as a *living document* that would be updated periodically to reflect developments.

7 BACKGROUND PAPERS

1. Draft *Brexit and Great Yarmouth* document.
2. The Business Brexit Checklist can be downloaded from: https://bit.ly/2Oi6JXq
3. The Business Brexit Risk Register can be downloaded from: https://bit.ly/2PetOe7
4. The study commissioned by New Anglia LEP can be downloaded from: https://bit.ly/2PsvihR
5. 'Getting Norfolk ready for Brexit' can be downloaded from: https://bit.ly/2QofVHw

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	N/A
Section 151 Officer Consultation:	N/A
Existing Council Policies:	N/A
Financial Implications:	Addressed above
Legal Implications (including human rights):	N/A
Risk Implications:	Addressed above
Equality Issues/EQIA assessment:	N/A
Crime & Disorder:	N/A
Every Child Matters:	N/A

Brexit and Great Yarmouth

Contents

1. Executive summary

1.1 In September 2018, the Bank of England noted that the Brexit process to date has had a negative economic and social impact – much of which can be attributed to uncertainty around the outcome of negotiations. It also asserts that a disorderly – or *no deal* – Brexit, whereby no agreement is reached by the end of March 2019, would exacerbate the impact. As of October 2018, UK/EU negotiations are ongoing, but it appears that the risk of a *no deal* Brexit is receding.

1.2 The Bank predicts that, if there is a *good deal* with the EU, there could actually be a boost to the economy as latent demand constrained the present uncertainty is realised. The main opportunities arising from Brexit relate to the establishment of new trade partnerships worldwide (i.e. new export markets for UK goods/services) and the diminution of EU regulations and institutions.

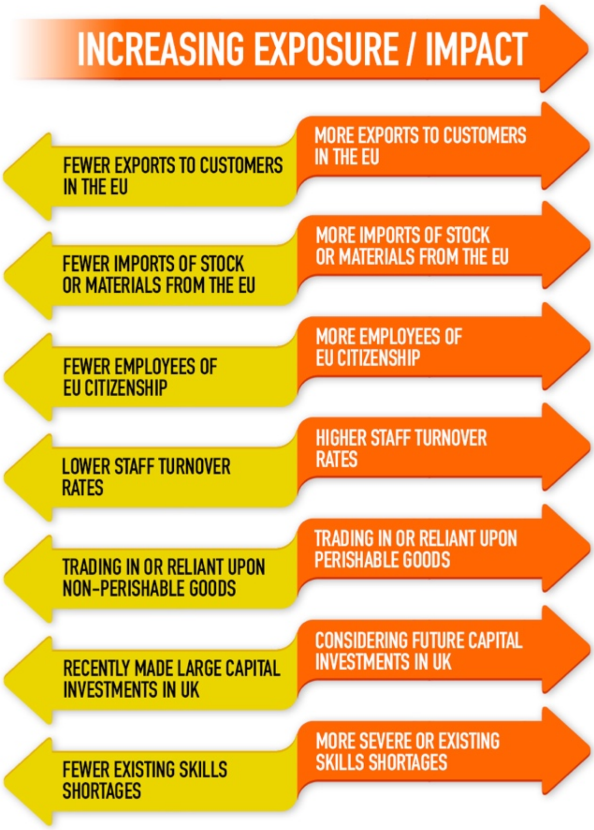
1.3 Local government has a strategic and responsive role to play. Some actions are obvious – for example, effecting changes to the electoral roll as EU nationals lose the right to participate in local elections. In the short term, it is important for Great Yarmouth Borough Council to work actively with partners to support businesses and residents respond to the challenges and opportunities of Brexit.

1.4 Great Yarmouth Borough Council is committed to actively monitoring the Brexit process and, wherever practicable, providing responsive and impartial information and support to local residents and businesses in partnership with the County Council, the Local Enterprise Partnership and other governmental and non-governmental agencies.

1.5 The EU-funded New Anglia Growth Hub and others provide impartial advice and the Borough should seek to maximise the accessibility/visibility of that support locally. This might include, for example, hosting workshops, seminars and drop-in sessions within Borough-managed venues.

1.6 The importance of awareness-raising and early strategic preparation/mitigation is paramount. The Council will actively promote the *Business Brexit Checklist* and *Business Brexit Risk Register* published by the British Chambers of Commerce (links to both these documents are provided in *Section 10*) and signpost to other relevant materials.

1.7 Some key aspects affecting – or likely to affect – the Borough are summarised in the table, overleaf. A more detailed overview is presented in *Section 8*. The diagram to the right illustrates some of the key business issues and how they affect exposure to Brexit.



Area	Indicative challenges and opportunities
Workforce	• attracting and retaining skills and capacity in key sectors • increased wage costs/overheads
Trade	• diminished access to EU trading bloc and other states with which the EU has trade agreements • increased competition in local market from efficient and competitive trading partners from around the world • alternative opportunities for international trade as new deals are agreed, particularly for offshore sectors • potential local benefit from an uplift in domestic tourism if Brexit effects increase demand for 'staycations' and depress demand for overseas holidays • disrupted cross-border supply chains • import VAT on goods imported from the EU • currency volatility could make imports more expensive and exports more competitive • changes to the regulatory and patent regimes
Funding and investment	• diminished access to EU funding and European Investment Bank • diminished foreign direct investment
Social	• disruption to cross-border travel, customs and reciprocal healthcare • particular job vulnerability of lower skilled, less qualified workers • reduced pressure on public services offset by critical staffing issues in health and social care • potential supply/choice disruption for fresh food and medicines/treatments

1.8 The funding landscape will also change significantly. In 2016/17, the UK received over £5 billion in funding from EU programmes. The UK also receives loans from the European Investment Bank (EIB), which contribute approximately £25 billion per year to energy-related infrastructure, including offshore wind; EIB funding has made up a significant portion of wind farm construction costs, including the Galloper, Sheringham Shoal and Greater Gabbard wind farms. The Borough currently benefits as both a direct and indirect beneficiary of EU funding (see *Section 9.5*).

1.9 In the longer term, the need to rebalance, de-seasonalise and upskill the local economy will become even more important, as the Borough seeks to both attract new foreign direct investment and foster a start-up/growth culture against a possible backdrop of a) persistent domestic economic uncertainties, b) diminished access to the EU trading bloc, and c) increased access to the UK market by efficient and competitive trading partners from around the world.

1.10 In addressing this imperative, The Borough will seek closer co-operation with the LEP and the County to ensure that its interests and those of its important sectors are fully reflected in key policies and strategies, such as the Local Industrial Strategy and UK Shared Prosperity Fund operational programme.

1.11 New Anglia Local Enterprise Partnership is taking forward eight specific actions in relation to Brexit, which were endorsed by the LEP board in February 2018. The Council should seek to support these, wherever practicable[1]:

[1] As reported in: New Anglia Local Enterprise Partnership (2018) *Board Meeting Agenda, Thursday 18 October 2018*

1. Develop a Local Industrial Strategy;
2. Develop our sector and innovation strengths;
3. Drive Inward Investment and place marketing;
4. Gather Brexit intelligence;
5. Champion local businesses;
6. Improve targeting of business support;
7. Support exporters;
8. Collaborate with other parts of the UK.

1.12 This document draws heavily upon the themes and analyses presented in *The potential implications of Brexit for Norfolk and Suffolk: threats and opportunities of Brexit for key economic sectors*[2], published by New Anglia Local Enterprise Partnership, and Norfolk County Council's *Getting Norfolk ready for Brexit*[3]. Links to both these documents are provided in *Section 10*.

1.13 It also incorporates additional independent analyses. It attempts to focus on the issues of most relevance to the Borough of Great Yarmouth – e.g. the impact upon the key sectors of offshore wind energy, manufacturing, construction, tourism and health and social care.

1.14 Wider implications are acknowledged, but not specifically addressed in this document, including: scientific research; sport and culture; travel and holidays (including airline regulation/permitting and customs arrangements); higher education; Financial *passporting* and the diminution of London as an international centre for financial services and potential knock-on impact upon Norwich's own status as a centre of excellence for insurance, financial and professional services – the largest private sector contribution to Norfolk's economy; defence; security co-operation and transboundary policing; the environment.

1.15 This document is intended to be a *living document* and it will be updated periodically to reflect developments and react to specific challenges and opportunities.

1.16 The table, overleaf, summarises proposed Council actions in relation to Brexit.

[2] Metro Dynamics (2017) *The potential implications of Brexit for Norfolk and Suffolk: threats and opportunities of Brexit for key economic sectors*. New Anglia Local Enterprise Partnership

[3] Norfolk County Council/Metro Dynamics (2018) *Getting Norfolk ready for Brexit*

The Council will:

- ensure that this is a *living document*, updated periodically to reflect developments and react to specific, emerging challenges and opportunities – including any new market-development and export opportunities;
- actively monitor the Brexit process and, wherever practicable, provide information and support to local residents and businesses in partnership – including working with other business-facing organisations, such as Norfolk Chamber of Commerce, to deliver responsive, topical events and workshops, seminars and drop-in sessions as the UK prepares to leave the EU;
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- actively explore ways to make its 'offer' and 'sense of place' more coherent for residents, potential residents, tourists and investors, encouraging private sector collaboration and ownership to grow the local economy and get businesses involved in promoting Great Yarmouth as a fast-growing coastal 'Enterprise Town', attracting inward investment and skilled workers to service growth opportunities and economic regeneration.
- continue to direct the new Head of Inward Investment and Regeneration & Funding Manager posts in support of these activities to champion local enterprise and drive local inward investment and economic resilience, growth and capacity.

[4] Great Yarmouth Borough Council (2017) *Economic Growth Strategy 2017-2021*

2. Context and timeline

2.1 Following the result of the referendum of 23 June 2016, the official date for the UK's departure from the EU has been set as 29 March 2019. A transition period has been agreed for the period 29 March 2019 to 31 December 2020. This transition period will only apply if a withdrawal agreement is reached between the two parties.

2.2 The Cabinet's preferred model, known as the *Chequers Plan*, would effectively maintain harmonisation with EU rules on the trade in goods, covering only those necessary to ensure frictionless trade. There would be different arrangements for trade in services, with greater regulatory flexibility and strong reciprocal arrangements. Freedom of movement, as it stands, would end but a mobility framework would make provision for citizens to travel and apply for study and work. A new customs arrangement would be phased in and the UK would set its own tariffs and develop an independent trade policy.

2.3 It is understood that several alternative options remain on the table at this stage, including variations of a Canada-style option (CETA[5]), a Norway-style option (EFTA[6]), an extension of the *Article 50* negotiations or a *no deal* scenario in which both sides are unable to reach a withdrawal agreement. There are several differences between these options:

- **CETA**: comprehensive, but not universal, tariff-free trade in goods; limited access to trade in services; partial regulatory cooperation; an independent free trade policy. The deal excludes: financial contributions to the EU; free movement of people; regulatory equivalence; participation in common foreign and security policy.
- **EFTA**: tariff-free trade in all goods and services (excluding certain fish and agricultural products); free movement of persons; a financial contribution to the EU; implementation of all EU Single Market regulations. The deal excludes: participation in current and future EU-third party trade deals; preferential access to the Single Market for agriculture and fisheries products; trade in goods without non-tariff barriers, such as export licences and rules of origin; Common Agricultural Policy (CAP) participation and funding.
- ***No deal***: the UK would revert to World Trade Organisation (WTO) trade rules on 29 March 2019 and be subject to the EU's external tariffs; EU laws would be transposed into UK law; the UK would not be subject to European Court of Justice (ECJ) rulings; the UK would be free to seek trade negotiations/deals immediately; the *Irish border question* would remain unresolved; the UK would not be required to contribute to the EU budget; the UK would be free to set its own immigration rules (reciprocal rights of EU and UK expats remains unclear); customs procedures would be suddenly imposed between the UK and EU, obliging the EU to require checks on lorries and ships coming from the UK.

  The UK Government has set out a series of technical notes on how to prepare if there is a no-deal. In October 2018, consumer watchdog, *Which?*, assessed these technical notices[7] and has claimed that potential impacts would include "immediate and 'severe' consequences for millions of consumers … even with comprehensive contingency planning, there could be problems in a number of

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[5] The Canada-European Union Comprehensive Economic and Trade Agreement (CETA), 2017

[6] The European Free Trade Association (EFTA) is a regional trade organisation and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland

[7] Which? (2018) *Brexit no-deal: a consumer catastrophe?*

areas, including travel, food, consumer products, energy and consumer rights … with disruption on a scale not seen since the consumer chaos of the 1970s" – a parallel also referred to by the independent Office for Budget Responsibility (OBR) in the same month[8]. There does appear to be a general determination, on both sides of the negotiation, to avoid a *no deal* Brexit.

2.4 At the time of writing, negotiations are ongoing. If sufficient progress has been made, an informal EU Summit will be organised for 17-18 November to finalise and formalise a deal.

2.5 A political declaration setting out the future UK-EU relationship, which will accompany the withdrawal agreement, is currently being prepared by the EU and will set out the latest state of play when published in draft format. This non-binding document is key to the ratification of the UK/EU deal as it will map out the proposed future UK/EU relationship to be agreed upon during a transition period.

2.6 Before the end of January 2019, MPs will be offered a vote on the outcome of negotiations – whether a deal has been secured or not. This vote could lead to a few options, including agreement on a final deal, rejection and leaving without a deal, seeking to extend the *Article 50* negotiations or a call for one final push in negotiations to agree on an acceptable compromise.

3. The impact upon businesses

3.1 Whilst Brexit is an important economic event, it is not the only major factor affecting the local economy. Other trends – such as demographic change, the rise of emerging markets, changing technologies and climate change – are also important to the future fortunes of local business.

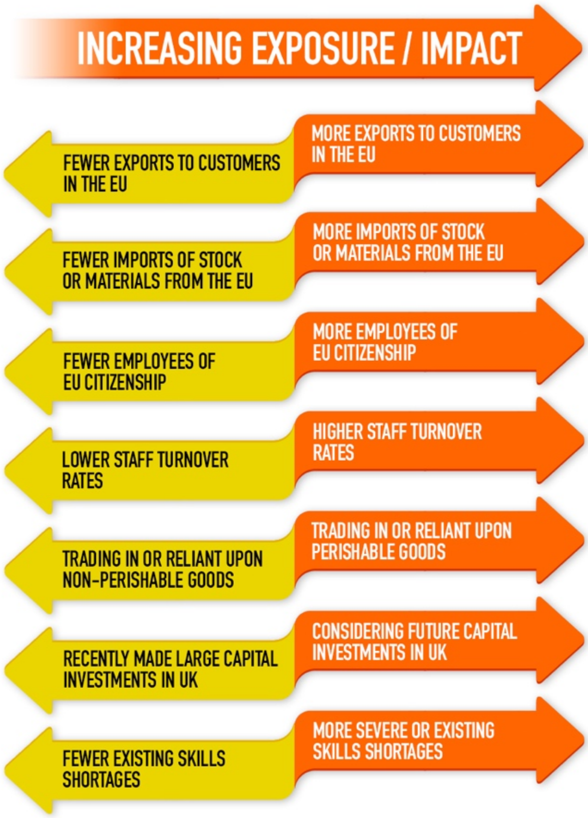
3.2 Brexit offers opportunities and challenges. At the time of writing, the fact that the final shape of the deal between the UK Government and the EU is undecided creates uncertainty for businesses. The Financial Times reports an economic consensus that that these uncertainties have already damaged the UK economy and squeezed household finances, although opinions vary on the extent/duration of this effect[9].

3.3 A Financial Times average of several models suggests that by the end of Q1 2018, the wider economy was 1.2% smaller than it would otherwise have been, equating to £24 billion or £450m/week. The hit to growth has, however, been smaller than HM Treasury predicted in its pre-referendum short-term forecasts, which wrongly assumed that the Government would instigate the two-year *Article 50* process immediately.

3.4 The British Chambers of Commerce maintain two particularly relevant documents. The first is its *Business Brexit Checklist*, which has been designed to help businesses consider the changes that Brexit may bring and assist business planning at both operational and board levels. The second is its *Business Brexit Risk Register*, which is updated monthly. This tracks strategic uncertainties from a business and trade perspective, in terms of the ongoing UK/EU negotiations. Links to both these documents are provided in *Section 10*.

[8] Office for Budget Responsibility (2018) *Discussion paper No.3: Brexit and the OBR's forecasts*
[9] Financial Times (2018) *What are the economic effects of Brexit so far?*

3.5 Different sectors and different businesses will be affected in different ways. This may be due to factors such as their size and composition, the extent of trade with the EU, and their dependency upon EU employees. It may also be influenced by staff turnover, whether companies deal with perishable goods, whether they have made recent capital investments or intend to in the near future, or whether there are existing skills shortages in their sector. The diagram to the right simplifies and illustrates some of the issues and how they affect individual businesses' exposure to Brexit.



3.6 New Anglia Local Enterprise Partnership's report[10] was commissioned to provide a detailed analysis of the potential impacts of Brexit on six economic sectors identified in the Norfolk & Suffolk Economic Strategy[11]: agricultural, manufacturing, construction, offshore wind energy, digital and life sciences.

3.7 These were selected on the basis of a) their particular significance to the Norfolk and Suffolk economy (both in terms of employment and value added), b) the likelihood of them being highly impacted by Brexit, and c) their strategic importance to Norfolk and Suffolk.

3.8 Of these, offshore wind energy, manufacturing and construction are considered in this document because of their particular exposure and/or significance to the Borough in terms of contribution to the local economy and employment. Potential impacts, challenges and opportunities can be broadly classified as the following:

- **Trade**; future arrangements after the expected departure of the UK from the European Single Market, rapid adjustment to new trade arrangements and potential tariffs and other barriers and opportunities to increase the UK share of their supply chains and open their products to new markets worldwide;
- **Regulations**; primarily in terms of EU directives incorporated into UK law;
- **Workforce**; attracting and retaining the EU labour force, who are key to the future success of some of Norfolk and Suffolk most important sectors, such as agriculture, manufacturing, construction and life sciences;
- **Funding and investment**; the importance of ensuring continued funding for research, development and innovation (RD&I) and alternative sources of funding for

[10] Metro Dynamics (2017) *The potential implications of Brexit for Norfolk and Suffolk: threats and opportunities of Brexit for key economic sectors*. New Anglia Local Enterprise Partnership
[11] New Anglia Local Enterprise Partnership (2017) *Norfolk and Suffolk Economic Strategy: A strategy for growth and opportunity*

sectors that often rely on EU subsidies and the capacity to continue to attract foreign private investment.

3.9 Tourism and Health and social care have also been included in this document because of their local significance, although each uses a different, more relevant, set of classifications.

4. Offshore wind energy

4.1 Background

4.1.1 Great Yarmouth probably has the world's largest concentration of offshore wind farm sites within 100 miles, including UK Round 3 wind farms, *East Anglia Array*, *Hornsea* and *Dogger*. It was also chosen to host the operations and maintenance for *Dudgeon Offshore Wind Farm* in 2014 because of the flexibility of its harbour, including the ability to handle a range of vessels, and the opportunity to locate offices and warehousing on the quayside. The purpose-built base was opened in 2016.

4.1.2 In 2016, Peel Ports Great Yarmouth was chosen to be Siemens' wind turbine assembly location and installation base for the 56-turbine, Round 2 wind farm, *Galloper*, which lies off the Suffolk coast and the construction base for 102-turbine *East Anglia ONE* wind farm, which is forecast to bring up to 3,000 jobs to the area[12] and substantial investment in the port. In October 2018, Swedish renewable energy giant, Vattenfall announced that it had agreed to reserve space at Great Yarmouth harbour to site an operations and maintenance base and dock the vessels needed for its *Norfolk Vanguard* and *Norfolk Boreas* wind farm projects.

4.1.3 Locally, the 3sun Group is a leading provider of skilled technicians for installation, inspection and operations and maintenance services of onshore and offshore wind turbines throughout the world, specialising in the UK, German and Danish markets.

4.1.4 Energy engineering specialists ODE handle onshore and offshore projects for greenfield and brownfield developments, often in challenging environments. ODE project-managed the 30-turbine *Scroby Sands Offshore Wind Farm* and, more recently, has installed a new pontoon and crane facilities on the *Dudgeon Offshore Wind Farm* base in Great Yarmouth.

4.1.5 Seajacks was established in Great Yarmouth in 2006 and owns and operates five of the world's most advanced and capable harsh environment self-propelled jack-up vessels, *Kraken*, *Leviathan*, *Hydra*, *Zaratan* and *Scylla*. With a track record of over 300 wind turbine installations, Seajacks' vessels provide an effective solution to the installation and maintenance of offshore wind turbines and foundations. Likewise, in the offshore oil and gas sector, the vessels have brought a new dimension to maintenance; modification; construction and decommissioning of wells and platforms in the North Sea.

4.1.6 A wider economy surrounds the wind farms. Local companies are present at all stages of the supply chain, offering a range of support services integral to the functioning of the farms. They focus mainly on supply, installation, commissioning, operations and maintenance.

4.1.7 Other local and international companies based in Great Yarmouth are already actively engaged in the European offshore wind industry. The Borough Council has collaborated with the East of England Energy Group and others to produce matrices that map and characterise local sector capability[13]. In the medium- to long-term, if these capabilities and skills can be retained within Great Yarmouth, it will be well-

[12] Great Yarmouth Borough Council (2016) *Offshore Wind/Energy Briefing: Report to Executive Leadership Team (ELT)*
[13] East of England Energy Zone (2016) *Offshore Wind Supply Chain Capability Matrix*

placed to benefit from future growth in demand for the decommissioning/re-commissioning of existing North Sea assets.

4.1.8 There are over 600 production platforms in the North Sea; many are several decades old and approaching their expected lifespan. EU regulations will require many of these facilities to be decommissioned or re-commissioned over the next decade. Great Yarmouth is ideally located, has deep-water facilities, supply chain and fabrication skills to support this industry. Peterson, in a joint venture with environmental solutions provider, Veolia, has already invested £1m in a purpose-built decommissioning facility in the port area.

4.2 Trade

4.2.1 The UK is a net importer of energy[14] but leads the world in offshore wind and, therefore, the country exports related services. These include cable installation, equipment repair and construction[15]. These services are exported worldwide to Europe, the USA and Asia – in recent years, UK offshore wind sector companies have won 115 contracts to build and service 50 offshore wind projects abroad. In a report by RenewableUK surveying 36 companies[16], the UK offshore wind sector won contracts in 18 different countries in 2016.

4.2.2 This sector is considered to have great potential for growth in exports. It presents an opportunity to form new markets abroad, which will be crucial after Brexit[17]. The Government has recognised the sector's promise and even invited a delegation of senior Chinese figures to the UK to learn about offshore wind[18]. Post-Brexit, it is anticipated that exports will become more competitive due to the weak pound and the falling cost of offshore wind technology[19].

4.2.3 However, Great Yarmouth and the wider UK's status as an ideal location to access the European offshore market, as asserted in a 2015 UK Trade and Investment[20] publication, would be significantly weakened by the removal of the UK from the single market. As with manufacturing and construction, the increased cost of importing materials and parts could also impact domestic capacity.

4.3 Regulations

4.3.1 Much UK energy policy has been shaped by the EU, encompassing member states' competitiveness, security and environment policies[21]. Post-Brexit, the UK will no longer be represented by EU energy bodies[22]. The most likely outcome of this for the UK offshore wind sector will be the necessity for continued adherence to EU regulations and an absence of UK strategic interests or influence over their formation[23]. In the long-term, the UK may choose to determine its own regulations, but this may make the UK less competitive than other EU countries. Any regulatory changes will also impact business, funding and investment.

4.3.2 For instance, some contracts may have particular clauses which necessitate continued compliance with EU law. For projects which have secured EU funding, it

[14] CBI (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*
[15] RenewableUK (2016) *Exporting Offshore Wind*
[16] RenewableUK (2017) *Export Nation: A Year in UK Wind, Wave and Tidal Exports*
[17] RenewableUK (2017) *Export Nation: A Year in UK Wind, Wave and Tidal Exports*
[18] RenewableUK (2016) *Exporting Offshore Wind*
[19] Ambrose, J. (2017*) Government go full tilt for offshore wind power.* The Telegraph
[20] UK Trade & Investment (2015*) UK Offshore Wind: Opportunities for trade and investment*
[21] Chatham House (2016) *UK Unplugged? The Impacts of Brexit on Energy and Climate Policy*
[22] Allen and Overy LLP (2016) *The implications of Brexit for UK energy*
[23] Renewables Consulting Group (RCG) (2016) *Brexit: renewables unplugged*

may be necessary to align regulations, whilst future projects may have problems acquiring funding due to regulatory mismatches. Changes to rules surrounding mergers, acquisitions and joint ventures, which are important given overseas investors' interest in the UK offshore wind sector, would also be significant. It is possible that the UK will need to adopt rules corresponding to the EU Merger Regulation, otherwise EU-based investors would need to consider the application of UK merger control rules as well as those of the EU[24].

4.4 Workforce

4.4.1 One of the major existing challenges for the offshore wind sector relates to its workforce, as there is a shortage of offshore wind farm engineers in the UK[25]. The Government's Offshore Wind Industrial Strategy, published in 2013, identified a lack of skills as a major issue, particularly in engineering, offshore skills, technician roles and roles specific to the sector, such as environmental analysis, lifting and helicopter/boat pilots. A general shortage of skilled engineers was identified as the driving factor. Other factors include competition from other sectors and the low profile of the industry; however, this is likely to change as the sector grows.

4.4.2 The offshore wind sector encompasses particular sub-sectors of construction and manufacturing, particularly given the importance of engineers, and is, therefore, likely to face similar problems post-Brexit. Furthermore, it is reasonable to assume that the skills shortage is likely to persist after the UK leaves the EU and may be exacerbated as local companies find it more difficult to access, attract and retain EU labour.

4.4.3 The need to incentivise specific skills/qualifications to manage the mismatch between skills supply and demand – the 'predict and provide' model – is generally acknowledged. The Norfolk & Suffolk Economic Strategy highlights the need for collaboration between businesses and schools to drive skills, employment and median wage and there is an opportunity to ensure that this is enshrined in the LEP's emerging Energy Sector Skills Plan.

4.4.4 It is recognised that for Borough residents to take job opportunities arising from the energy sector, having the right skill set is essential. Of particular importance are the STEM (science, technology, engineering and mathematics) subjects required to align education with employer needs (particularly in regard to the offshore/maritime sectors).

4.4.5 Provision in the Borough now reflects this, with a new Offshore Energy Skills Centre forming part of the proposed Institute of Technology, the East Norfolk Sixth Form, the University Campus Suffolk (UCS)-linked East Coast College's new Energy & Engineering Skills Centre of Excellence in Lowestoft (set to open in September 2019) and – slightly further afield – the University of East Anglia's energy engineering course. This medium- to longer-term strategy is, however, highly unlikely to offset the immediate impact of Brexit upon the sector.

4.5 Funding and Investment

4.5.1 EU funding has been a significant driver in the development of the offshore wind sector in the UK. EU funding and European Investment Bank (EIB) loans contribute approximately £25 billion per year to energy-related infrastructure, climate change mitigation, and research and development[26]. Specifically, EIB funding has made up a

[24] Norton Rose Fulbright (2016) *UK offshore wind: What impact is Brexit likely to have on the UK's offshore wind industry?*
[25] Confederation of British Industry (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*
[26] Chatham House (2016) *UK Unplugged? The Impacts of Brexit on Energy and Climate Policy*.

significant portion of wind farm construction costs, including the *Galloper*, *Sheringham Shoal* and *Greater Gabbard* wind farms[27].

4.5.2 Another important source of funding is the European Fund for Strategic Investment (EFSI), which invests in energy infrastructure[28]. The UK has received over £68 billion of EFSI funding, of which around a quarter has been used to fund energy projects, including offshore wind projects. Furthermore, the European Research Council and Horizon 2020 have contributed significantly to the funding of innovation, research and development (RD&I) in the energy sector.

4.5.3 The UK is likely to lose eligibility for these funding streams upon leaving the EU, which could constrain further development of the sector. As a non-EU (associate) member state, Britain would be able to participate in EU funding, but strict criteria need to be met, such as the free movement of people and a contribution to funds based on GDP and population. The UK may be able to access the 12% of EIB funds for renewable energy projects allocated to non-EU countries. This would not, however, compensate for lost access to larger funds.

4.5.4 The impact of Brexit on private investment in the sector is uncertain; many of the sector's key investors are based in the EU (e.g. Siemens and Vattenfall). The investment climate since the Referendum has remained relatively strong. However, Siemens, a major investor in and manufacturer of components for UK wind farms, put investment plans on hold in 2016, indicating a loss of confidence in the face of uncertainty.

4.5.5 Deterred investment is likely to be short-term, which can be managed if the Government provides the right incentives[29]. Durham Energy Institute predicts that, in the longer-term, issues surrounding policy clarity may impede investment and the Director of External Affairs at RenewablesUK has said that they consider this the most important factor in guaranteeing long-term foreign investment.

5. Manufacturing

5.1 Background

5.1.1 Norfolk and Suffolk have a wide and diverse manufacturing sector. The manufacture of food products is by far the largest sub-sector. A failure to impose tariffs or quotas on imports or form free trade agreements with other countries may flood the domestic market with cheaper global imports – potentially subject to lower standards of animal welfare, food safety, land stewardship and environmental protection – reducing consumer living costs but damaging the domestic industry.

5.1.2 Other important sub-sectors in terms of employment include the manufacture of fabricated metal products, machinery and equipment, and rubber and plastic products. Manufacturing accounts for around 3,000 jobs in the Borough (7.7% of the workforce)[30].

5.2 Trade

5.2.1 Manufactured products account for 89.8% of total goods exports and 91% of total goods imports in the UK and UK-EU trade is substantial. The EU, taken as a whole, is the UK's largest trading partner by a significant margin. 44.5% of all UK exports are to the EU (53% in the East of England), compared to 13.1% to the USA. After the UK

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[27] Norton Rose Fulbright (2016) *UK offshore wind: What impact is Brexit likely to have on the UK's offshore wind industry?*
[28] Watson Farley and Williams (2016) *Implications of Brexit on UK renewable energy*
[29] Utilitywise (2016*) UK investment post-Brexit*
[30] Office for National Statistics, 2017

leaves the EU, the future rules on trade will depend on what kind of agreement, if any, the UK reaches with the EU.

5.2.2 UK-EU exports are a bigger part of the UK's economy than the EU's. The £274 billion export of goods and services to other EU countries was worth 13.4% of the total value of the British economy in 2017. While the UK is a member of the EU, there are no tariffs on trade with other EU member states. The trade-weighted average EU import tariff for non-EU, non-agricultural products was 2.3% in 2014 (8.5% for agricultural products and 23.6% for sugars and confectionary); providing an indication of the tariff that could be levied on £274 billion of future UK exports to the EU.[31]

5.2.3 Manufactured goods move along complex supply chains which operate across the EU. The UK is reliant on exports to the EU, and the interdependency of companies along the supply chain in the single market means that the any imposition of tariffs would increase costs for manufacturers[32]. Any new regulatory barriers (for example, a divergence in standards/certification, customs barriers and changes to the free movement of people) would exacerbate this, particularly in sectors that are reliant upon time-dependent supply chains, such as the automotive sector.

5.2.4 The fall of the value of the pound, post-Referendum, has impacted the trade in manufactured goods in different ways and sterling appears set to remain weak. Firstly, this has increased the cost of imported manufactured products[33] and auditors, Creaseys, believe that this may boost the UK domestic market, as companies are forced to source nationally. Secondly, the weak pound cheapens exports, making UK exports more competitive – although this is likely to be offset by any imposition of import tariffs.

5.3 Regulations

5.3.1 The EU determines many manufacturing regulations and laws, which are standardised across member states. EU laws and regulations apply to many different legislative areas, including product safety, employment, health and safety, and environmental and consumer protection. Regulatory compliance is central to trade and investment agreements, particularly as many EU laws (for example those concerning labour markets and health and safety) have been integrated into domestic law). For instance, exports of manufactured goods are subject to various regulations and standards, which facilitates their easy trade between EU countries.

5.3.2 In order to continue trading in the EU, UK manufacturers would have to conform to EU product safety and product standards. It is, therefore, likely that UK businesses will have to continue to comply with certain legislation, such as employment and health and safety regulations, in order to maintain export stability. In the longer term, the UK may opt for a more flexible legislative and regulatory framework, which is independent of the EU, but the importance of EU regulation and compliance for trade globally, not only with other EU member states, should not be understated.

5.4 Workforce

4.4.1 As with agriculture, manufacturing is reliant upon EU labour – up to 60% EU migrant labour in some sectors, such as the poultry meat industry. Sector-wide in the UK,

[31] House of Commons Library (2018) *Briefing Paper Number 7851: Statistics on UK-EU trade*
[32] CBI (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*
[33] Tait Walker (2016) *How will Brexit affect the manufacturing sector?*

between April 2016 and March 2017, the Office for National Statistics reported that 10.9% of the workforce were non-UK EU nationals[34].

4.4.2 A survey conducted by the Confederation of British Industry in 2016 found that nearly two-thirds of manufacturing companies surveyed anticipated recruitment problems in the immediate future. This mirrors an Engineering Employers' Federation (EEF) survey in which two thirds of manufacturers cited a lack of technical skills among applicants and almost as many, 64%, said there was an insufficient number of candidates.

4.4.3 Underlying the need for EU workers in manufacturing in the UK is a long-standing skills gap, rooted in disparities between the skills provided by education/training and those required by employers[35]. A report presented at the National Manufacturing Debate in 2017, an annual conference for the manufacturing industry, listed shortages in technical skills such as robotics, artificial intelligence, software, data analysis, and electrical/electronic engineering. Responding to these shortages is the common practice of moving highly-skilled engineers at short notice across the EU, which would cease if there is an end to freedom of movement.

4.4.4 Furthermore, Brexit may result in the movement of manufacturing away from the UK. The increased reliance upon UK workers could lead to higher wages as UK workers generally expect to be paid more than their EU counterparts and companies may choose to move their operations abroad where labour costs are lower.

4.4.5 Skilled workers, mainly from the EU, are seen to have been key to the strength of, for example, UK pharmaceutical research and development[36]. Restricted freedom of movement may encourage companies to relocate to an alternative EU country with easier access to EU labour, and the UK may become a less attractive destination for highly-educated EU workers.

5.5 Funding and investment

4.5.1 EU funding is integral to maintaining a dynamic and innovative manufacturing sector in the UK. In 2015, the majority (68%) of research and development expenditure in the UK was channelled to manufacturing[37]. A number of specific schemes have benefitted the sector and driven innovation. Between 2007 and 2013, €7 billion was granted to the UK as part of the EU Framework Programme 7 (FP7), €1.2 billion of which was used to support around 10,000 companies (with the majority used for education/training). Under Horizon 2020, the UK was the second largest recipient of funding of all EU countries, totalling €1.8 billion, with 22% directed to businesses.

4.5.2 Losing access to these funds may damage UK manufacturing’s long-term vibrancy and competitiveness. The extent to which any transitional arrangements and/or future funding programmes will replicate them is unclear. In the face of these uncertainties, UK multinationals may move their research projects outside the UK to ensure continued access to funding streams or change their lead team and international firms may be increasingly reluctant to invest in research and development projects in the UK.

4.5.3 Foreign investment also maintains the health of the sector. Manufacturing receives a relatively low share of foreign direct investment (FDI); however, it is vital to boosting productivity through efficiency improvements and the development of new products.

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[34] Office for National Statistics (2018) *UK and non-UK people in the labour market: estimates of labour market activity by nationality and country of birth*

[35] Engineering Employers' Federation (EEF) (2016) *Skills Report 2016: An up-skill battle*

[36] Bruegel (2017) *Pharmaceutical industry at risk from Brexit*

[37] CBI (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*.

Lower levels of investment would, therefore, diminish potential future productivity gains[38].

6. Construction

6.1 Background

6.1.1 The construction sector is strong and diverse in Norfolk and Suffolk, comprising the general construction of buildings and infrastructure and to the more specialised construction and engineering activities of the energy sector, comprising offshore wind, oil and gas.

6.1.2 A number of the County's larger construction firms are based in Great Yarmouth – including Derrick Services (UK), East Coast Pipe and Fittings, CLS Global Solutions, Gardline Shipping and 3Sun Group. Construction accounts for around 1,750 jobs in the Borough (4.5% of the local workforce)[39].

6.2 Trade

5.2.1 Trade is not the most significant aspect of Brexit impact in the construction sector. According to the Federation of Master Builders, only 25% of construction materials are imported. Nevertheless, the EU is an important trading partner. According to a 2010 study conducted by the Department of Business Skills and Innovation[40], the EU is the origin of 64% of imports and destination for 63% of exports in building materials. Furthermore, of the top four countries from which the UK imports (Germany, China, Italy and Sweden), three are in the EU[41].

5.2.2 Loss of access to the single market would have a significant impact on the industry. If duties or complex restrictions were placed on materials, this may cause shortages or delays in importing and exporting essential resources. Consequently, materials will become more expensive, increasing the cost of construction, affecting both construction companies and those who use their services. The weakness of the pound has already contributed to increased material costs[42].

6.3 Regulations

6.3.1 Regulatory change following Brexit may be of less concern. EU law has minimal presence in the construction sector. Instead, its regulatory framework is a combination of UK and EU-directed legislation. Areas of regulation where the EU is influential include working conditions, climate and the environment, health and safety, and import standards. In many cases, the UK chooses to conform to EU standards. For legislation relating to construction materials, continued compliance will be necessary to maintain ease of trade. It is unlikely that altering construction legislation and standards will be a priority.

6.3.2 In some instances, EU directives have been fully integrated into UK law. The most significant of which are Construction Design and Management (CDM) Regulations and Energy Performance of Buildings (e.g. EPC certificates). The repeal or dilution of EU directives is possible in the long term. If the UK were to establish its own domestic policy, this could reduce the costs associated with complying with EU directives.

[38] Beck, M. (2016) *Brexit and FDI. Economic Outlook*, 40(2), 26-30
[39] Office for National Statistics, 2017
[40] Designing Buildings (2017) *What does Brexit mean for construction?*
[41] Shepherd & Wedderburn (2016) *Brexit Analysis Bulletin: Construction and Infrastructure*
[42] Scape Group (2017) *The impact of Brexit on construction sector laid bare*

6.4 Workforce

6.4.1 The construction sector is highly dependent upon the free movement of workers from the EU. Both unskilled and skilled positions are filled by EU nationals; Office for National Statistics data demonstrates that these accounted for 8.8% of the workforce between April 2016 and March 2017, putting considerable stress on the sector should restrictions be placed on freedom of movement.

6.4.2 The main reason for the reliance on skilled EU workers, who are typically from Eastern European countries[43], is the failure to recruit from the domestic market due to a significant skills shortage within the sector[44]. Restrictions on migration are likely to have broad implications for construction. Firstly, it may impact wages and costs. The increased demand for skilled workers may drive up wages (as much as 15-20%), resulting in higher project cost). If labour demand supersedes supply, project costs may increase, eventually impacting the fulfilment of housing targets. Higher material import costs and labour costs are forecast to cost the sector £570 million[45], nationally.

6.4.3 Secondly, it may have implications for the productivity and dynamism of the sector. A weaker workforce may reduce the capacity of house builders, further contributing to an increase in costs. Another impact may be that a lack of skilled labour results in project delays. Uncertainties over workforce numbers have already begun to impact companies' willingness to bid for future projects[46].

6.4.4 More optimistically, UK workers may benefit from reduced competition for jobs and access to larger selection of roles within the industry. Without migrant workers to fill vacancies, an immediate and critical skills shortage may actually fuel investment in training and upskilling.

6.5 Funding and investment

6.5.1 Construction is considered to be one of the largest beneficiaries of EU funding. It is funded both by the European Investment Bank (EIB) and European Investment Fund (EIF) and has access to the European Structural Investment Fund (ESIF), European Regional Development Fund (ERDF) and Joint European Support for Sustainable Investment in City Areas (Jessica).

6.5.2 In 2015, the EIB and EIF together invested €7.8 billion in UK infrastructure projects[47]. This is important for construction, as much of the sector is involved in the engineering, construction and design of infrastructure projects. These institutions also lent €665.8m to SMEs in 2015.

6.5.3 The Confederation of British Industry asserts that future sustainability of funding is of vital importance to the sector's continued success, particularly for infrastructure projects and regeneration projects and may also impinge on the ability of start-ups to emerge and thrive in the market. Existing UK contributions to these funds could be directed to infrastructure projects, but there is an inherent risk that projects may receive funding for political reasons rather than based on merit, value for money or wider strategic benefit.

6.5.4 There is some evidence that, in the short-term, the weak pound has attracted international investment but, in the long term, the construction sector would suffer

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[43] Fisher Scoggins Waters (2016) *How Could a Brexit Affect the Construction Industry?*
[44] Eversheds-Sutherland (2016) *Brexit and the implications for UK construction*
[45] Scape Group (2017) *The impact of Brexit on construction sector laid bare*
[46] CBI (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*
[47] CBI (2016) *Making a success of Brexit: A whole-economy view of the UK-EU negotiations*

from any subdued private investment climate, post-Brexit. Of particular concern is a reduction in foreign investment in commercial and residential development.

6.5.5 Savills predicts a 30-40% decline across the country in commercial developments over the next five years. Infrastructure projects will also be impacted. A study conducted by Ernst & Young concluded that Brexit has reduced the UK's long-term attractiveness to foreign investment and that this is likely to cause an economic slump in the industry[48].

7. Tourism

6.1 Background

7.1.1 Great Yarmouth has been largely successful in maintaining its core tourism industry despite changes to the market since the advent of affordable air travel. As a holiday destination for generations, Great Yarmouth is now the third largest seaside resort in the UK. Tourism is worth £625.6m to the Borough's economy and supports 9,191 FTE jobs, equivalent to 35.5% of the workforce[49]. Approximately one third of visitor spend is on food and drink, a quarter on shopping and a fifth on accommodation.

7.1.2 Traditional tourism remains a bedrock of the economy and, alongside the current stakeholder-led exercise to update its Tourism Strategy, the Town is actively exploring ways to make its 'offer' more coherent for residents, potential residents, tourists and investors, acknowledging the need to distil and communicate the cultural vision and opportunities on offer and promote what makes the place special in a crowded marketplace. Such an approach could increase visitor numbers, their length of stay and per capita spend and encourage private sector collaboration and ownership to grow the local economy.

7.1.3 Funding and investment in relation to the tourism sector is not considered in this analysis.

7.2 Trade

7.2.1 ABTA reports that travel and tourism grew by more than four times the rate of the wider UK economy last year, boosted by more domestic breaks being taken and the weak pound attracting more inbound tourists[50]. The World Travel & Tourism Council (WTTC) reports that British holidaymakers are increasingly opting to stay at home on 'staycations', with outbound tourist departures from the UK growing by only 2.5% – compared to 7.8% in 2016 and 9.9% in 2015 – and a 5.8% year-on-year increase in UK domestic travel[51].

7.2.2 The local tourism sector could be boosted by a number of Brexit-related factors, each of which might act to stimulate demand for visits and 'staycations' and depress demand for overseas holidays, namely a) weaker global sterling exchange rates, b) disruption to overseas travel caused by increased customs/border controls, and c) any significant long-term negative impact on the UK economy and levels of disposable income.

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[48] Ernst & Young (EY) (2018) *Inward investment after Brexit*
[49] Destination Research (2018) *Economic Impact of Tourism: Great Yarmouth, 2017*
[50] The Association of British Travel Agents (ABTA) (2018) *Making a success of Brexit for travel and tourism priorities for the Brexit negotiations*
[51] World Travel & Tourism Council (WTTC) (2018) in conjunction with Oxford Economics, cited by TravelWeekly.co.uk

7.3 Regulations

7.3.1 ABTA proposes that restrictive EU rules currently inhibit the ability of the UK Government to support new domestic air routes[52]. Withdrawal from the EU could, therefore, open up new UK routes, resulting in a boost to accessibility and the value of domestic tourism, locally. Continued inclusion of the UK in EU aviation agreements will, however, be vital if the UK is to continue to access to high-spending EU markets and maintain affordable European travel for residents.

7.3.2 *Section 7.3* makes reference to European Health Insurance Card (EHIC). The loss of reciprocal healthcare arrangements may impact negatively upon tourism from EU states.

7.4 Workforce

7.4.1 Generally, the UK hospitality sector is highly reliant on EU nationals, with between 12.3% and 23.7% of the sector's workforce made up of EU migrants[53]. Between 2011 and 2016, the number of migrant workers in the hospitality and tourism sector has increased by 27%, with the majority of this increase coming from other EU countries[54].

7.4.2 KPMG estimates that the hospitality sector currently requires 62,000 EU migrants per annum to be able to maintain current activities and to grow[55]. Within the accommodation and hospitality sector specifically, 13.2% of workers are EU nationals. With the exception of the events industry, since 2011 all hospitality industries have seen an increase in the number of non-British workers making up their workforce[56].

7.4.3 In terms of labour supply, the most acute occupations to fill continue to be front-of-house staff (reported by 45% of employers with hard-to-fill vacancies) and chefs (reported by 36% of employers with hard-to-fill vacancies). In future, it may be more difficult to recruit chefs, for example, because current 'Tier 2' visa restrictions for skilled occupations mean that a chef from the EU would need to be earning £30,000 per annum, whereas the median annual salary for a chef is around £17,483[57].

7.4.4 Any restrictions on recruiting EU nationals as a result of the UK's exit from the EU is likely to have an adverse impact on the workforce and it will take time for businesses to adjust to the restrictions in order to sustain capacity and meet growth projections for the sector.

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[52] The Association of British Travel Agents (ABTA) (2018) *Making a success of Brexit for travel and tourism priorities for the Brexit negotiations*
[53] Local Government Association (2018) *The impact of Brexit on tourism and creative industries: briefing to the House of Commons, 17 April 2018*
[54] Office for National Statistics (2016) *Labour Market Statistics time series dataset (LMS)* cited by People1st.co.uk
[55] British Hospitality Association (2017) *Labour Migration in the hospitality sector*
[56] People1st (2017) *Migrant workers in the hospitality and tourism sector and the potential impact of labour restrictions*
[57] Office for National Statistics (2015) *Annual Survey of Hours and Earnings 2015*, cited by People1st.co.uk

8. Health and social care

8.1 Background

8.1.1 Health accounts for around 8,000 jobs in the Borough (20.5% of the workforce)[58]. Brexit has implications for health, social care and the caring professions, which are highly reliant upon EU nationals.

8.1.2 The King's Fund, an independent health charity founded by Edward VII and chaired by Sir Christopher Kelly has compiled a precis of the key issues, noting that, whilst the impact on health and social care services of leaving the EU is impossible to forecast, the Referendum ushered in a period of significant economic and political uncertainty at a time when the health and care system is facing huge operational and financial pressures.

8.1.3 Some areas of the The King's Fund analysis have been omitted because they have fewer overt implications for the Borough: competition law, the working time directive, research.

8.2 Workforce

8.2.1 The policy of freedom of movement and mutual recognition of professional qualifications within the EU means that many health and social care professionals currently working in the UK have come from other EU countries. This includes nearly 62,000 (5.6%)[59] of the NHS England's 1.2 million workforce and an estimated 95,000 (around 7%)[60] of the 1.3 million workers in England's adult social care sector[61]. The proportion of EU workers in both the NHS and the social care sector has been growing over time, suggesting that both sectors have become increasingly reliant on EU migrants.

8.2.2 The NHS is currently struggling to recruit and retain permanent staff, with particular gaps in nursing, midwifery and health visitors[62]. Similar problems exist in the social care sector, which has an estimated vacancy rate of 6.6% and an overall turnover rate of 27.8% (equating to around 350,000 people leaving their job each year)[63].

8.2.3 Until the UK leaves the EU, the policy on freedom of movement remains unchanged. One of the main priorities in the first phase of the UK's negotiations with the EU has been clarifying the status of EU citizens currently living in the UK and of UK citizens living in other EU countries, and the Prime Minister has committed to ensuring that EU citizens will be able to stay in the UK[64].

8.2.4 The number of nurses and midwives from Europe leaving the Nursing and Midwifery Council's register between October 2016 and September 2017 increased by 67% compared to the 12 months before, while the number joining it fell by 89%[65]. It is not,

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[58] Office for National Statistics, 2017

[59] Data presented on a headcount basis, excluding approximately 80,000 staff with no nationality recorded. Data excludes GPs and GP practice staff as data on the nationality of these staff groups is not collected. Data on the country where GPs gained their primary medical qualification is available at NHS Digital.

[60] Data represents posts in local authority and independent sector employers only. Excludes posts in NHS and personal assistants.

[61] NHS Digital, 2017; Skills for Care, 2017

[62] National Audit Office (2016) *Managing the supply of NHS clinical staff in England*

[63] Skills for Care, 2017

[64] Prime Minister's Office (2017) *PM's open letter to EU citizens in the UK*; Home Office et al. (2017) *Settled and pre-settled status for EU citizens and their families*

[65] Nursing and Midwifery Council (2017) *Increasing number of nurses and midwives leaving profession 'highlights major challenges faced by health and care sectors'*

however, possible to definitively attribute these changes to the outcome of the Referendum; whilst Brexit has the potential to compound workforce pressures, the recruitment and retention problems being experienced in health and social care predate the decision to leave the EU.

8.2.5 In September 2018, the Migration Advisory Committee[66] published its final report on EEA migration in the UK. The report states that, if free movement ends and the 'Tier 2' scheme (visas for 'skilled workers' from outside the EEA with a job offer in the UK) is extended to EEA citizens, the salary threshold at £30,000 should be retained and the list of eligible occupations should be expanded to allow employers to hire migrants into medium-skills jobs. The report does not recommend an explicit work migration route for low-skilled workers, except for a seasonal agricultural workers scheme.

8.2.6 Recent estimates suggest that both the health and social care sectors will face a considerable shortfall in staff in future if EU migration is limited after Brexit. Modelling from Department of Health projects (under a worst-case scenario)[67] a shortage in the UK of between 26,000 to 42,000 nurses (full-time equivalents) by 2025/26[68].

8.2.7 Projections from the Nuffield Trust suggest a shortfall in England of as many as 70,000 social care workers (headcount) by the same date[69]. Staff groups likely to be affected include lower-skilled workers, particularly in social care. With just under a quarter of EU nationals working in what are classed 'elementary occupations' (including jobs such as cleaners and waiters)[70] it is likely that in future both NHS and social care providers will face increased competition from other industries, such as retail, when trying to recruit lower-skilled staff.

8.2.8 There are concerns at various levels, not only in highly-skilled sectors, but in the vast body of healthcare assistants that make up a large portion of the NHS workforce. Jean McHale, Professor of Health Care Law at the University of Birmingham notes that "there is a longer-term question about NHS staffing, because the NHS is reliant, as is social care, on individuals coming from other member states to help and provide healthcare services … now there's a real concern about what will happen with access to things such as visas."

8.3 Accessing treatment here and abroad

8.3.1 Currently, EU rules govern UK citizens' access to health and care in the EU, and EU citizens' access to UK services. EU citizens are entitled to a European Health Insurance Card (EHIC) which gives access to medically necessary, state-provided health care during a temporary stay in another EEA country[71]. The cost of treatment under these schemes can be subsequently reclaimed from the visitor's country of

[66] Migration Advisory Committee (2018) *EEA migration in the UK: Final report* (commissioned by the Home Secretary)
[67] This scenario assumes that all EU and non-EU inflows of nurses and midwives would stop after changes to immigration rules. Shortage is compared to the forecast base case supply.
[68] Lintern (2017) in The Health Service Journal
[69] Dayan/Nuffield Trust (2017) *Getting a Brexit deal that works for the NHS; based on EU migration ending in 2019*
[70] Office for National Statistics (2017) *International immigration and the labour market, UK: 2016*
[71] A valid EHIC entitles people to access state-provided treatment that is medically necessary during a temporary stay in another European Economic Area (EEA) country or Switzerland. Treatment is provided on the same basis as it would to a resident of that country, either at a reduced cost or for free. For example, some countries require patients to contribute a percentage towards the cost of their treatment, known as a patient co-payment.

residence via reciprocal health care agreements. Around 27 million people currently hold European Health Insurance Cards issued by the UK[72].

8.3.2 In addition, under EU rules, people who come from elsewhere in the EU to live in the UK, or who leave the UK to live in another EU country, have access to health care on the same basis as nationals of that country. Estimates of the number of people this involves differ among the available sources. However, it has been suggested that there are around one million British migrants living in other EU countries, compared with around 3 million EU migrants living in the UK[73]. While the UK is a member of the EU, the rights of EU nationals already living in the UK and UK nationals living in the EU remain unchanged.

8.3.3 Future arrangements, including those relating to EHICs or the rights of UK and EU nationals to access health care when moving abroad in the future have, at the time of writing, not been resolved. However, the UK has said that it intends to seek an ongoing arrangement 'akin to the EHIC scheme' as part of negotiations on future arrangements with the EU[74]. This will obviously be subject to negotiation.

8.4 Regulation

8.4.1 EU legislation provides a harmonised approach to medicines regulation across the EU member states. The Government has previously stated that it would seek continued membership of the European Medicines Agency (EMA) – the centralised medicines authorisation system – after Brexit, and that it would be prepared to pay to do so. The EMA subsequently announced the closure of its headquarters in London and relocation to Amsterdam, with the loss of 900 jobs.

8.4.2 The EMA is responsible for the scientific evaluation of human and veterinary medicines developed by pharmaceutical companies for use in the EU. Under current arrangements, companies can submit a single application to the EMA to obtain a marketing authorisation that is valid in EU, EEA and European Free Trade Association (EFTA) countries. Being a member of the EMA also gives the UK 'Tier 1' market status, meaning that pharmaceutical and device companies prioritise the UK as a market for launching their products.

8.4.3 The UK has its own national regulatory agency, the Medicines and Healthcare products Regulatory Agency (MHRA). However, this deals with national authorisations intended for marketing only in the UK. The EMA cut the UK's Medicines & Healthcare Regulatory Agency out of its contracts seven months ahead of Brexit (it previously accounted for 20-30% of all pharmaceutical evaluations in the EU).

8.4.4 It is assumed that the intention would then be for the MHRA to operate as a sovereign regulator outside the EMA, but with regulatory equivalence and working closely with the EMA and other international partners. There are already precedents for such arrangements – the EMA currently co-operates with regulatory bodies around the world and has specific agreements in place with countries including the United States, Canada and Switzerland.

8.4.5 It is possible, however, that if the UK leaves the EMA arrangements and develops its own drug approval system, the UK may lose its 'Tier 1' status and end up at the back of the queue for new medicines[75]. For example, in Switzerland and Canada, which

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[72] Fahy et al. (2017) in The Lancet
[73] Department for Exiting the European Union (2017) *Providing a cross-border civil judicial cooperation framework - a future partnership paper*
[74] Department for Exiting the European Union (2017) *Providing a cross-border civil judicial cooperation framework - a future partnership paper*
[75] Rawlins (2017) to the House of Lords Select Committee on Science and Technology

have separate approval systems, medicines typically reach the market six months later than in the EU[76].

8.4.6 The UK faces a similar issue in relation to future access to medical radioactive isotopes, which are used in the diagnosis and treatment of cancer. In 2016/17 the NHS performed more than 592,000 diagnostic procedures that rely on radioactive material[77]. The European Atomic Energy Community (Euratom) creates a single market for nuclear energy in Europe and is responsible for co-ordinating and regulating access to these materials. The Government has stated that when the UK leaves the EU it will also leave Euratom[78], although it hopes to continue working closely with it in future.

8.4.7 Although the government has stated that the UK's exit from Euratom will not have an impact on the availability of radioactive materials, many are concerned about the impact on future supply, including increased costs and a risk to patients should access be disrupted[79].

8.4.8 Clinical trials for new drugs are currently carried out on a national level but subject to EU regulations, including for registration of trials. A revised EU clinical trials directive harmonises arrangements across the EU with the aim of creating a single entry point for companies that wish to carry out trials of new drugs on participants in different countries.

8.4.9 Some in the pharmaceutical industry have expressed concern that leaving the EU could result in the UK losing out on some trials that might otherwise benefit patients, as the UK would no longer be part of the harmonised procedure. These trials are particularly important for rare diseases and personalised medicine, as multi-country trials provide researchers with access to the large populations required.

8.5 Public health

8.5.1 NHS Providers – which represents acute, ambulance, community and mental health services within the health service – has raised concerns about preventing the spread of diseases without proper coordination, as well as shortages of medicines and supplies and a lack of "contingency planning" in case of a no-deal Brexit. The Health Secretary has written to NHS and social care organisations, advising that there is no need for alarm or to stockpile medicines, appearing to contradict a separate statement to the House of Commons Health Select Committee that "we are working with industry to prepare for the potential need for stockpiling in the event of a *no deal* Brexit".

8.5.2 Public health legislation for a number of policy areas, in particular food safety and nutrition, tobacco, alcohol, radiation, environment, housing standards and chemicals in air, water and land safety, is drawn from established EU legislation, standards and regulations, with relevant directives transposed into UK legislation.

8.5.3 EU legislation has had a significant impact in some areas, such as air quality, that cannot be successfully controlled at national level alone. In other areas, such as

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76 Fahy et al. (2017) in The Lancet

77 NHS England (2017) Diagnostic Imaging Dataset 2016-17 Data; this count includes procedures under nuclear medicine, PET-CT scans and SPECT scans

78 Department for Exiting the European Union (2017) *Nuclear materials and safeguards issues – position paper*

79 British Nuclear Medicine Society (2017) *British Nuclear Medicine Society statement on leaving Euratom*; Strickland (2017) *Royal College of Radiologists statement on the potential impact of leaving the Euratom treaty*

tobacco control, the UK currently leads the way in Europe, having gone further than required by a recent EU directive, by introducing standardised packaging[80].

8.5.4 When the UK leaves the EU, it will have the opportunity to consider whether transposed legislation should be maintained or amended. Whilst the Government has not yet clarified its intentions on this issue, some have expressed concern[81] that, once EU oversight is removed, the UK could set less stringent standards in relation to some areas. On the other hand, decision-making in a community of 28 countries can be cumbersome and slow. If the political vision and will existed, the UK could choose to take bolder and faster action on public health after leaving the EU[82].

8.6 Funding and investment

8.6.1 In the long term, the performance of the wider UK economy will be one of the most important influences on funding for the NHS and social care. With negotiations over the UK's exit from the EU in progress, it is difficult to predict the economic outlook with any certainty. However, a range of independent economic forecasts suggest that Brexit is set to have a significant long-term negative impact on the UK economy, placing additional pressure on public finances[83].

8.6.2 If lower growth in public spending follows, then the implications for both the NHS and social care would be significant, particularly given existing pressures in both sectors. Much will depend on the UK's future trading relationships.

8.6.3 The Government has stated that the UK will exit both the single market and the customs union after it leaves the EU, although it has proposed a time-limited implementation period following departure, to allow businesses time to adjust and new systems to be put in place. However, beyond that the situation remains unclear, although the Government has said it will be pursuing "the freest and most frictionless trade possible in goods between the UK and the EU", as well as hoping to forge new trade relationships around the world[84].

8.6.4 In the event of a *no deal* Brexit, the UK will fall back on World Trade Organization (WTO) rules, which could see specific tariffs being be imposed on some goods and services. In addition to any wider economic implications, this could increase the cost of many goods and services for the NHS and social care sector, and could also impact on supply, including of drugs and treatments.

8.6.5 Pharmaceutical companies and industry bodies have publicly expressed concern about the potential consequences of this scenario. European and UK supply chains of medicines and medical technologies are profoundly integrated, meaning that any new tariff agreements or inspections could cause significant disruption to the supply of medicines to patients, particularly those that are time- and temperature-sensitive, such as cutting-edge cell and gene therapies[85].

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[80] Joossens and Raw (2017) *Tobacco control scale: monitoring the implementation of tobacco control policies systematically at country-level across Europe*
[81] Creagh (2017) *Funding a healthy future*. Chartered Institute of Public Finance & Accountancy; Fahy et al. (2017) in The Lancet
[82] Faculty of Public Health, 2016
[83] Bank of England (2017) *Inflation Report*; OECD (2018) *United Kingdom economic forecast summary*; Office for Budget Responsibility (2017) *Economic and fiscal outlook*
[84] HM Treasury et al. (2017) *Future customs arrangements – a future partnership paper*
[85] UK Parliament (2017) Written evidence from the Association of the British Pharmaceutical Industry and the BioIndustry Association; written evidence from AstraZenica

9. Concluding remarks

9.1 Introduction

9.1.1 Although considerable uncertainty remains on the specific outcomes of Brexit whilst the UK Government negotiates the terms of its departure from the EU, the research and commentary identifies a set of challenges and potential opportunities for Great Yarmouth. The following points are presented to summarise Brexit's impact on workforce, regulations, trade, funding and investment.

9.2 Workforce

9.2.1 Arguably the most significant impact of Brexit will be on the local labour force. There is no absolute certainty that non-UK EU nationals currently residing in the UK will be entitled to stay. Recent evidence suggests that many may wish to relocate, as the UK is perceived to be less desirable. In the long-term, it is highly likely that migration from the EU will drop. Moreover, Brexit will impact low and high skilled workers in different ways.

9.2.2 In October 2018, the Institute for Fiscal Studies (IFS) asserted that men with few qualifications are most at risk of losing their jobs and struggling to find work if new barriers to trade emerge; men with GCSE qualifications or below are more likely than other groups to work in industries at extreme risk from new trade barriers after Brexit. 14% of UK workers, or 3.7 million, are in industries that the IFS classify as "very highly exposed", estimating that these sectors could lose more than 5% of their value in the event of a *no deal* Brexit.

9.2.3 This should be viewed in the context of the Borough; in education, skills and training, Great Yarmouth ranks bottom out of 326 local authority areas. GCSE achievement is below the national and county averages with 56.5% of local school children achieving 5 GCSEs graded A*-C in 2015, compared to 63% in England and 61.4% in Norfolk. Borough residents are, therefore, likely to be amongst those most vulnerable to the effects of Brexit, in terms of employment opportunities and economic inclusion.

9.2.4 In June 2018, a survey cited by The Independent[86] concluded that 90% of employers are struggling to find the staff they need and two-thirds believe the skills gap will either fail to improve, or get worse post-Brexit. Lower skilled EU workers often fill vacancies in agriculture, manufacturing and construction, many of which are seasonal or temporary, and therefore are difficult to fill domestically. This issue may be of particular significant in the Borough, with its seasonal economy and employment opportunities.

9.2.5 In the future, there is an opportunity for these sectors to uplift the economy, as innovation could lower labour intensity by transforming a high number of low skilled, low paid jobs into higher skilled, better paid jobs.

9.2.6 Local partners – including the Borough – should take the opportunity to develop a local industrial strategy that further reinforces sectoral specialisms and to ensure that central Government is fully aware of the contribution that those specialisations make to the national economy. Many of these sectors have similar requirements (e.g. for technical skills, leadership skills, new technologies and easier-to-access funding and partnerships for smaller scale commercial research and innovation) and many face global opportunities for new markets and new products (e.g. clean energy).

9.2.7 This will require more in-depth work in order to provide ongoing critical insights into the local business base, including the specific needs of individual businesses and how the Borough can work with them. For the Borough and central government, it will

[86] The Independent (2018) *The Brexit effect: How the last two years have impacted the economy*

be vital to have a more accurate understanding of key indicators and of business health and where the challenges and opportunities lie.

9.2.8 Many higher skilled professionals from the EU work in offshore wind and advanced manufacturing due to a shortage of STEM skills in the UK labour market as a whole. As with the lower skilled jobs, it is crucial to retain these workers. This may be challenging because, on the one hand, these are highly mobile workers who can easily find good jobs in other European countries, and, on the other hand, there might be increased costs for businesses to employ overseas workers (as is currently the case for non-EU workers).

9.2.9 Local government and New Anglia LEP could support local businesses in retaining their skilled workers, while working with companies and education and training providers to ensure that STEM skills provision aligns with local skills demand. As the labour market continues to tighten and, if migration continues to slow, there would be a strong case for focussing and strengthening place marketing and inward investment in order to reach out to the people that the Borough needs to attract and retain as well as the investment needed to drive productivity.

9.3 Regulations

9.3.1 Leaving the EU provides the UK the opportunity to formulate its own regulatory regime, which in many industries has been EU-directed over the past several decades. This can be made more in accordance with UK-specific concerns and objectives, and may unlock increased investment. Any dilution of existing safeguards and protections is, however, likely to be deeply unpopular.

9.3.2 The standardisation of regulations across the EU with many EU directives incorporated into UK law means that regulatory alignment and stability will be important across the sectors to maintain ‘business as usual’, easing trade and ensuring continued access to international funding. Consequently, in order to remain competitive, the UK is likely to have to continue conforming to many EU laws, policies and regulations.

9.3.3 The relationship between regulation and trade is particularly pertinent in manufacturing, due to the importance of product standards. It is no surprise that companies may be anxious about regulatory changes following Brexit and they will need to remain aware of any regulatory changes and how they may impact them.

9.4 Trade

9.4.1 The future environment and conditions for trade after the UK leave the European Single Market are still very uncertain; negotiations on trade are ongoing. Their resolution will need to precede the potentially enormous task of negotiating new trade deals with non-EU partners. Outside of the single market, the introduction of trade barriers, such as tariffs, is likely to impact UK exports.

9.4.2 As outlined in *Section 6.2.2*, tourism presents a potential opportunity because the sector could be boosted by a number of Brexit-related factors, including an increase in demand and any opening up of new UK air routes.

9.4.3 Although most goods produced in Norfolk and Suffolk are sold in the UK market, tariffs will impact entire supply chains, affecting most manufacturing activities as well as construction, as various components and materials across the supply chain are traded with EU partners. For example, duties or restrictions placed on imports may cause shortages of materials, increasing costs in construction, which in turn will impact the entire region’s economy. In this context, it is vital for the region that the UK Government achieves a favourable trade deal with the EU after Brexit.

9.4.4 In October 2018, the Chief Executive of the Road Haulage Association (RHA) stated that, “if we are out of the customs union … we think the likelihood is that [France] will apply a customs process in Calais, in which case we are going to have tailback back into Kent and beyond”. This echoes comments by the Chairman of Maritime UK in March, who stated that his preferred approach was to, “find a solution where we can use existing infrastructure and lorries don’t have to stop because there would be chaos here and there would be reciprocal chaos across the Channel”.

9.4.5 The theme was also picked up by the Chief Executive of the British Ports Association, who commented that, “the UK’s post-Brexit customs relationship with the EU will dictate how almost half of our trade is handled at the border. For the UK’s roll-on-roll-off ferry ports, which facilitate the majority of this traffic, the implications are particularly significant as the process for enabling tens of thousands of HGVs each day to pass through UK and European ports has still yet to be agreed. For this sector, new frontier checks could have a major impact on UK ports as well as add additional delays and costs for UK trade.”

9.4.6 Food prices, notably prices of dairy products could rise and food supplies could become less secure in the event of a *no deal* Brexit[87]. The UK produces less than 60% of the food that it consumes. Of the remaining 40%, about three-quarters is imported directly from the EU, including a lot of fresh fruit and vegetables like citrus fruits, grapes and lettuces. These are *just-in-time* supply chains and there is little scope for stockpiling[88].

9.4.7 If there were no EU trade deal agreed, there could be ongoing disruption to existing choices; border delays, caused by sudden customs and regulatory checks, could very quickly lead the distribution system to break down[89]. Whilst the UK has more supermarkets per head than anywhere else in the world, those supermarkets keep very little in stock. Most food enters the UK overnight, much of it through Dover.

9.4.8 The Department for Transport has stated that it remains “confident of reaching an agreement with the EU, but it is only sensible for government and industry to prepare for a range of scenarios. Regardless of the outcome of the negotiations, we are continuing to work closely with a range of partners on contingency plans to ensure freight can continue to move as freely as possible between the UK and Europe”.

9.4.9 The issue may actually present an opportunity for Great Yarmouth; delays in Dover might result in an uplift in need/demand for its port as an alternative entry point for vessels of up to 30,000DWT (comprising the majority of ocean cargo vessels in the world).

9.4.10 The Borough could, conceivably, capitalise upon local maritime connectivity to expand the Port’s current regional focus relating to offshore to position it as a gateway for time-sensitive supply chains and perishables. This might also help drive the resolution of related strategic infrastructure constraints and transition the local area to a more international-facing economy. On 23 October 2018, the Financial Times reported that the Transport Secretary has discussed with government colleagues the possibility of chartering ships, or space in ships, to bring supplies into other British ports in the event of a *no deal* Brexit[90].

9.4.11 There are also uncertainties about intellectual property (IP) protections (particularly trademarks and design protection) as a result of Brexit. Successive governments

[87] London School of Economics (2018) *The impact of Brexit on the UK dairy sector*
[88] Food & Drink Federation, 2018
[89] British Retail Consortium, 2018
[90] Financial Times (2018) *UK readies flotilla plan for supplies in no-deal Brexit*

have sought to position the UK as a *knowledge economy* and additional work is required to assess the potential impact.

9.4.12 Another issue related to cross-border trade with the EU is VAT being charged at the border when importing goods and services, as opposed to current trade which is exempt from VAT. Switching to charging VAT may potentially create cash flow issues for UK firms, as firms will need to pay VAT before they have sold the goods that they are importing.

9.4.13 The Borough will inevitably have to adjust economically. This is both a challenge and an opportunity. There is a clear opportunity to increase the UK share of companies' supply chains, and open products to new markets worldwide. The lower value of sterling may make UK exports more competitive, but it is important that local companies innovate and actively enter new markets.

9.4.14 As companies often rely on imported inputs in their global supply chains, and because some high-value-added products are less sensitive to price changes, the recent depreciation in sterling has not generated a significant boost in UK exports. Firms appear to be using sterling's weakness to bank increased profits in a time of uncertainty, rather than to move into new markets.

9.4.15 There will be some opportunities for collaborating with other regions and sectors elsewhere, where there is a common interest in reaching out to new markets or designing new products. Exploiting new markets and cultivating a competitive advantage requires time, innovation and financing, however.

9.5 Funding and investment

9.5.1 The UK is a net contributor to the EU budget overall. EU funding plays, however, a critical supporting role in all of the important sectors in Norfolk and Suffolk. EU funding has been integral to driving the evolution of key sectors through research, development and innovation. EU funding has also been important for investing in large scale infrastructure projects, indirectly supporting businesses and job growth in the construction and offshore wind sectors.

9.5.2 There are two local funds that fall under the EU's cohesion policy that are of particular local significance: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Two further funds, the European Agricultural Fund for Rural Development (EAFRD, under the common agricultural policy, €85 billion) and the European Maritime and Fisheries Fund (EMFF, under the common fisheries policy, €6.5 billion), are specifically targeted at the needs of rural and maritime regions respectively.

9.5.3 The majority of local ERDF funding focusses on support for innovation, start-ups and established businesses. ESF is used to support very pressing skills and employability challenges as well as addressing key social inclusion issues that support people into, and progression within, employment and training. EAFRD is used to support complementary activity in rural areas, including support for knowledge transfer and skills, support for micro, small and medium sized rural businesses, tourism activities and small-scale investment into broadband enhancements.

9.5.4 European Structural and Investment Funds (ESIF) are designed to improve economic growth, business competitiveness and employment opportunities and social well-being across Member States of the EU. Together they account for 26% of the EU's total budget and are the second largest EU investment fund, after the Common Agricultural Policy.

9.5.5 The UK is 11th out of 28 states in terms of ESIF receipts[91]. The Government's White Paper on the future relationship does not envisage any continuing UK contribution to the Structural Funds programme after Brexit. The Institute for Fiscal Studies notes, however, that the majority of forecasts of the impact of Brexit on the UK economy indicate that the Government would have less money to spend even if it no longer had to pay into the EU[92].

9.5.6 The Funds are allocated to 38 Local Enterprise Partnerships (LEPs). New Anglia was allocated around £86m (€107.5m) of EU funding for investment in Norfolk and Suffolk. This amount covers three funding programmes: ERDF (£37,700,690), ESF (£35,696,935) and EAFRD (£13,015,876). The Borough has benefited from this funding in two ways:

a) As a direct beneficiary of EU funding

The *Inclusion Project* (with a value of £684,664, match-funded by ESF) assists the long-term unemployed and economically inactive residents in Great Yarmouth and Gorleston that face complicated challenges and who are most disconnected from community support networks, including the provision of entry-level training, volunteering and work placement opportunities.

Great Yarmouth is also a partner in *Go Trade*, which attracted €3.8m from the EU-funded Interreg *France (Channel) England* programme, which supports footfall and the overall offer at nine traditional markets across England and France, including special branding, new tourism itineraries and themed events, plus a click-and-collect trial. It supports the Borough's *Town Centre Initiative*, the Council's work to enhance the town centre as a destination where more people choose to live, work, invest and spend their leisure time and money.

b) As an indirect beneficiary of EU funding

SMEs within the Borough have benefited from a number of ERDF-funded projects, including Grants4Growth, SCORE, Business Energy Efficiency Anglia, Renewables East and the current New Anglia Growth Programme (which has provided direct technical assistance to around 60 local businesses, distributed around £120K in grant aid and catalysed around £320K investment in growth measures). Many of these incorporate delegated grants schemes, providing a conduit for EU funding directly to SMEs.

9.5.7 In 2016/17, the UK received over £5 billion in funding from EU programmes. Much of this went into research, infrastructure and agricultural projects. In the main, this funding will end in 2020, although it is possible that some programmes may go on a little longer. It is also important that local businesses find alternative sources of funding – from Central Government or elsewhere – once they are no longer eligible for EU funding. The UK also receives loans from the European Investment Bank (EIB). The UK will not be eligible for new loans from the EIB after 29 March 2019, when the UK leaves the EU.

9.5.8 The UK has stated that it may wish to continue to participate in some of the EU programmes that welcome non-Member States, after 2020. The UK's future participation will be discussed in negotiations over the future EU-UK relationship.

9.5.9 Some EU programmes are open to countries that are not EU Member States. For example, the research and innovation programme Horizon 2020 is available to countries that are trying to join the EU, members of the European Free Trade

[91] Institute for Government, 2018

[92] Institute for Fiscal Studies / Economic and Social Research Council, Centre for the Microeconomic Analysis of Public Policy (2016) *Brexit and the UK's Public Finances*

Association, and those associated to the EU's previous research and innovation programme.

9.5.10 The new UK Shared Prosperity Fund (UKSPF) was announced in 2017 and is intended to replace EU structural funding and focus upon reducing geographical inequalities. No specific details on this Fund have emerged, although initial consultations are underway.

9.5.11 On 4 October 2018, Great Yarmouth Borough Council's Regeneration & Funding Manager attended UKSPF 'pre-consultation' round-tables for around 50 stakeholders from the Greater Southeast and London. It was clear that discussions are at a very early stage with the focus on *structuring, administering and evaluating the new fund* and *priorities for investment and the needs and opportunities of the regional economy*. Delegates were told expect a formal consultation after the 29 October Autumn Budget, although this does not appear to be underway yet. Observations from the round-tables are as follows:

- *Spatial foci and the UKSPF as an instrument of cohesion/convergence* – there is the possibility (hinted at in the Manifesto) that UKSPF might target lower-performing economies, focusing support on areas such as the Northern Powerhouse or Midlands Engine, rather than pumping money into relatively high-performing economies in order to capitalise upon and drive the latent potential for further growth, high-growth and job creation. Spatial allocation – i.e. regional/subregional ring-fencing – is a key unknown at this stage.
- *Thematic foci* – The LEPs appear to be seen as natural conduits for UKSPF, albeit after the current review of geographic demarcation to reflect functional economic areas is concluded. It seems reasonable to assume, therefore, that the thematic foci will align with the new Local Industrial Strategies, which should be in place by 2020. It's unclear whether or not the LEPs will design/publish Calls or whether they'll take a direct commissioning route, bringing strategies like local infrastructure delivery plans into scope to develop suites of 'products' that target different priorities. Further detail will also be required on the measurement of impacts/outcomes; this could amount to reporting on 'Treasury Net Gain' or other metrics articulated in terms of hard outcomes.
- *Simplification, streamlining and rationalisation* – there seems to be a collective, sympathetic attitude towards this; there may be significant scope for public funding landscape decompartmentalisation (broad-based interventions around job creation, business support, capital and skills are inherently difficult within current frameworks as they'd straddle both ERDF and ESF). The consistency/ambiguity of programme guidance, too, has presented operational issues for ESIF accountable bodies and there may be scope for further process debureaucratisation.
- *Financial ring-fencing* – unlike six-year EU funding operational programmes, which drew upon a strong evidence base and intervention logic and corresponded to empirical need and demand –there may be an inherent risk of fiscal reallocation from UKSPF as central government responds to immediate political imperatives and emerging challenges/opportunities on a reactive basis.
- *Continuity of delivery* – the prospect of funding for a number of economic/social intervention measures coming to an abrupt end at a time when UK plc is most vulnerable to the impact of Brexit is of concern. Perhaps as a result of the awkward transition between the 2007-13 and 2014-20 programmes, all parties seemed to be aware of continuity implications for capacity-building programmes. The Government has provided assurances around Treasury underwriting of contracted projects and the hope seems to be that UKSPF would launch relatively seamlessly after that.

9.5.12 It is understood that agricultural funding will be protected, with the Environment Secretary providing assurances that, “the amount we allocate to farming support in cash terms will be protected throughout and beyond this period right up until the end of this Parliament in 2022”. This commitment is UK-wide and includes rural development schemes. The Government envisages an *agricultural transition* from 2020 where current farm payments are maintained but revised and then replaced with new approaches. In England, the Government is consulting on transition options towards a system which pays farmers for *public good*, such as environmental enhancement.

9.5.13 The impact of Brexit on UK public procurement has been largely overlooked. There is limited awareness that many of the public contracts issued by contracting authorities as varied as the Ministry of Justice to local authorities, receive significant funding from the EU through programmes like the European Regional Development Fund (ERDF) and European Social Fund (ESF).

9.5.14 Since January 2015, £1.6bn of UK public contracts have been awarded with full or partial EU funding, £1.3bn of this in the second half of 2016 (£220 billion overall). If anything, this figure is understated, since it does not include the EU’s financial contribution to government contracts issued through “frameworks”, which are essentially preferred supplier lists around which there is less official disclosure. The sector that is especially dependent on EU investment is education and skills; since 2015, contracts worth £425m with full or partial funding from the EU.

9.5.15 Attracting large scale private sector investment in infrastructure and development will require places to further focus their investment marketing activity and develop a very strong place-based story and proposition.

9.5.16 Foreign firms have seen the UK as a gateway to other EU markets, with the UK economy benefiting from its resulting attractiveness as a location for activity. Foreign Direct Investment (FDI) is key to raising national productivity, and, by extension, output and wages across all sectors (most significantly in manufacturing). There is evidence that EU membership has significantly increased FDI – the extent to which FDI will be affected by Brexit depends highly on future trading arrangements with the EU.

9.5.17 The impacts also vary across sectors. For instance, investment has already declined in manufacturing, whilst investment is likely to slow in commercial and residential development, impacting construction. In the offshore wind sector, there has been a mixed post-Brexit reaction by foreign companies with some continuing to invest whilst others have put investment on hold.

10. Sources of further information

10.1 Business Brexit Checklist

Created and maintained by British Chambers of Commerce to help businesses identify and consider the changes that Brexit may bring and to help them plan at both operational and Board levels: *https://bit.ly/2Oi6JXq*

10.2 Business Brexit Risk Register

Created and maintained by the British Chambers of Commerce to monitor progress against real-world Brexit questions being asked by businesses and where clarity is needed so that firms can plan their trade following the UK’s departure from the EU: *https://bit.ly/2PetOe7*

10.3 The potential implications of Brexit for Norfolk and Suffolk

Commissioned by New Anglia LEP and Norfolk and Suffolk councils to consider the potential impact of Brexit on the local economy, focusing on the potential challenges and opportunities and identifying companies that might be affected: *https://bit.ly/2PsvihR*

10.4 Getting Norfolk ready for Brexit

Published by Norfolk County Council to provide some insight into what the Brexit impacts and opportunities might be – especially for key business sectors – as part of its aim to help and encourage businesses to plan ahead: *https://bit.ly/2QofVHw*

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