



**Oversight and Governance**

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## **Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee Supplement Pack**

Wednesday 6 June 2018  
2pm  
Warspite Room, Council House

**Members:**

Councillor Morris, Chair  
Councillor Fletcher, Vice Chair  
Councillors Buchan, Carson, Churchill, Cook, Mavin, Stevens and Wheeler.

Please find attached additional information for your consideration under agenda items 6 and 7.

**Tracey Lee**  
Chief Executive

# **Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee**

## **Agenda**

- 6. Brexit Overview: (Pages 1 - 14)**
- 7. Fishing and Fisheries Overview: (Pages 15 - 20)**

**PLYMOUTH CITY COUNCIL**

**Subject:** Brexit Risks and Opportunities  
**Committee:** Scrutiny  
**Date:** 6 June 2018  
**Cabinet Member:** Leader  
**CMT Member:** Giles Perritt  
**Author:** Kevin Mckenzie, Policy Advisor  
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**Ref:** BILCO 002  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

The report provides an overview of current issues in relation to the UK leaving the EU and highlights key risks and opportunities for the City.

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**Corporate Plan**

Our analysis suggest that there are implications for our City Vision, our values in particular that we are democratic, and more specifically around the themes of jobs and skills, levels of investment, future infrastructure needs, inclusive communities and Plymouth as a destination.

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**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land**

None

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**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

None

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No as no decision is being sought.

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**Recommendations and Reasons for recommended action:**

Members of the Brexit, Infrastructure and Legislation Scrutiny committee to note the report and consider whether it raises issues that they may wish to consider in the Committees work programme.

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**Alternative options considered and rejected:**

None

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**Published work / information:**

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	

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**Sign off: N/A**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the contents of the report? No													

## **1.0 Introduction**

- 1.1 In June 2016 Plymouthians voted by a clear majority (60%) to leave the European Union (EU). Following the national vote the Prime Minister triggered Article 50 commencing the leaving process on March 29<sup>th</sup> 2017. The UK will leave the European Union on 29<sup>th</sup> March 2019. In principal agreement has been reached between the UK and EU negotiating teams on an implementation period which will extend until 31<sup>st</sup> December 2020.
- 1.2 It is anticipated that EU rules and regulation will continue to apply through this period. The UK will however be free to enter into independent trade negotiations provided that any agreements reached do not come into force until the end of the implementation period.
- 1.3 Following the local elections in May the administration has established a Brexit, Infrastructure and Legislation Scrutiny Committee. The administration has pledged to undertake and publish research on the economic impact of Brexit both positive and negative.
- 1.4 This report provides an overview of current issues in relation to the UK leaving the EU and highlights key risks and opportunities for the City.

## **2.0 Current issues**

- 2.1 The European Withdrawal Bill received its third reading in the House of Lords on 17 May 2018. The Lords have agreed 24 amendments to the Bill which will now be considered by the Commons. These include one which requires the Government to set out no later than October 2018 the measures it has taken to secure the UK's continued membership of the Customs Union. Other amendments seek to preserve the EU framework for environmental protection, employment rights, equality, health and safety, consumer standards and the principles of the European Charter of Fundamental Rights. Following an earlier amendment agreed in the Commons the Government will need parliamentary approval for any withdrawal agreement.
- 2.2 The Trade Bill will assist in the transition of existing trade agreements between the EU and other countries and enable the UK to become an independent member of World Trade Organisation. Of particular relevance to us is that membership will commit us to the principles of the Agreement on Global Procurement (GPA).
- 2.3 We anticipate a Customs Bill in the autumn which will give the government the ability to operate a standalone customs regime if the UK were to leave the EU without a negotiated settlement. A white paper on immigration is due later in the year which the government has said will address the finding of research conducted by the Migration Advisory Committee on behalf of the Home Secretary into the impact of EEA workers on the UK labour market.
- 2.4 The EU and the Department for Exiting the European Union (DEXEU) published a joint statement on phase 1 of the Brexit negotiations which covered the future status of EU and UK citizens, the Irish border and the 'divorce bill' in December 2017. Phase 2 negotiations are underway covering transition and future trading arrangements. The outcome is expected to be a legal agreement for approval through the EU and UK parliaments.

## **3.0 Local developments.**

- 3.1 The Key Cities network, of which we are a member, has published data suggesting that seven Key Cities, including Plymouth are among the best performing cities in terms of exports. Key Cities, it says, have an advantage in terms of both existing industrial structure and location and the Industrial Strategy needs to recognise the potential of port and coastal cities.

- 3.2 In November 2017 we responded to the Migration Advisory Committee (MAC) call for evidence on the impact of the free movement of EEA workers on the UK labour market. The Home Secretary has commissioned the MAC to collate evidence to inform a white paper on our future immigration system later in the year.
- 3.3 We also responded to the Parliamentary Select Committee on Communities and Local Government call for evidence to support their inquiry into the impact of the UK's withdrawal from the EU and the role local authorities could play post-Brexit. The inquiry will look at which powers currently held by the EU could be transferred to town halls after the UK's exit.
- 3.4 We continue to work with the Local Government Association at regional level around issues which are of common concern across Local Government and to ensure issues of specific concern to us regionally and locally are raised through the channels they have available.
- 3.5 Senior members and Officers attended a Local Brexit Summit organised by Luke Pollard MP, at which Cllr Nicholson delivered a key note speech.
- 3.6 We have produced a number of labour market reports for the HOTSW Brexit Resilience and Opportunities Group (BROG), including a Construction specific report. We have been invited to take a report about the Fishing Industry to the June meeting.
- 3.7 Officers attended a seminar on Brexit for key local stakeholders on the 8<sup>th</sup> November 2017 organised by Plymouth University Institute for Social, Policy and Enterprise Research (iSPER) Group picking up some further insight into the views of the local business community and neighbouring Local Authorities.

#### **4.0 Risks and Opportunities**

We maintain a register of the key Brexit risks and opportunities (Appendix I).

##### **Repeal the European Communities Act and incorporate EU law into UK law**

- 4.1 This could lead to change in the regulatory framework within which we operate, especially in relation to employment, procurement, health and safety and the environment. The powers conferred on ministers by the EU Withdrawal Bill have been clarified in a memorandum. As a result the risk of additional burdens being placed on local government without parliamentary scrutiny is reduced as this will be subject to an affirmative procedure.
- 4.2 The memorandum enables a Minister of the Crown to provide in domestic law for a right of challenge to the validity of retained EU law. We will continue to work with the LGA to mitigate the residual risk of potential court challenges to enforcement action.
- 4.3 In our submission to the Parliamentary Select Committee on Communities and Local Government we have set out that we are keen to see powers currently exercised by the EU devolved to local government where this is in accordance with the principle of subsidiarity. We also feel there is an opportunity to consolidate and relocate existing administrative arrangements where these will be necessarily be operated differently in post Brexit UK.

##### **Restricted supply of migrant labour**

- 4.4 This remains an area of significant risk. The clarity offered by the conclusion of a joint agreement on the future status of EU citizens in the UK is welcomed and this may help to encourage those who are currently resident to stay. We have however already seen some departures, e.g. from Plymouth Marine Laboratory, and it is possible that some may have well advanced plans that they may now be disinclined to rethink.
- 4.5 Plymouth has a slightly lower proportion of EU migrants than the UK. Roughly 11,000 people, 4.2% of our working age population, were from EU countries between January and December 2015, compared to 5% nationally. In the South West they are more likely to be employed than the average UK worker (81% versus 76%). Locally EU migrant labour

represents particular skills sets in academia, advanced engineering, manufacturing, construction, tourism and care.

- 4.6 EU migrants represent key skill sets in certain sectors that are important for Plymouth such as manufacturing, construction, tourism and care. Our industrial strategy response recognises that the city's skills shortages both now and in our future growth sectors are around construction, advanced engineering, manufacturing and nuclear. Care providers have reported that they are finding that the majority of suitable applicants are from outside of the UK.
- 4.7 Whilst we are addressing skills shortages in construction and the built environment through our Building Plymouth Programme our future demand for construction skills is likely to increase if we are to meet our new homes targets and the other capital programmes that are already in the pipeline. The construction sector is one of the largest employers of EU nationals, and is also facing significant skills deficiencies. Our report for the Heart of the SW LEP, Brexit Risks and Opportunities Group, "Brexit and Construction in the Heart of the South West", concludes that restrictions around the movement of labour must not exacerbate existing shortage.
- 4.8 We have already responded to the MAC call for evidence expressing our concerns and must now await the forthcoming Immigration White Paper before we have a clear indication of how restrictions on the free movement of labour from the EU will be applied. In the meantime we will be promoting a dialogue with city employers through Plymouth Education and Skills Board and Plymouth Growth Board to assist us in identifying any gap which may emerge in the local labour market and whether our skills pipeline is adequate to meet future demand. We are also considering some direct research with the local migrant community.

### **Foreign Direct Investment**

- 4.9 The Bank of England advised the BROG in August that Foreign Direct Investment is increasing on the back of weak sterling. Locally the news that we are now moving on to discuss our future trading relationship with the EU will be welcomed. In common with other coastal cities and ports we are disproportionately invested in manufacturing and export.
- 4.10 The report of the joint negotiators suggests that Northern Ireland is effectively guaranteed long term access to the internal market and customs union, provided that the final withdrawal agreement is ratified by the EU and the UK. Northern Ireland has similar aspirations to our own around Marine technology. We could find it more difficult to compete for inward investment, both foreign and domestic if we do not have a level playing field.
- 4.11 As we have set out in our Industrial Strategy response, half of our 20 largest companies are foreign owned and half of these are located here specifically to access EU markets. Many will be delaying investment decisions pending clarification of our future trading relationship with the EU. Given our aspirations to be recognised as a world leader in marine technology, it will be particularly important to secure a level playing field for the UK mainland in any future Marine Sector deal.
- 4.12 Creating an attractive relocation offer by fostering cluster and supply chain opportunities will be the key to attracting future foreign direct investment. Plymouth University's ISPER group believe that it is in this area that international competition will manifest in future. The imposition of tariff and non-tariff barriers to trade with the EU would potentially impose a 'double whammy' on businesses with supply chains that extend into the EU.

### **Domestic and international connectivity**

- 4.13 The Department for International Trade (DIT) has recently set out its emerging approach to establishing an independent international trade policy. It set out four principles:-
- Pursue economic prosperity for the UK and lead by example through our liberal economy and pursuit of free trade;
  - Develop, support and enforce a fair and proportionate rules-based system for trade, domestically and internationally;
  - Develop a trading framework which supports foreign and domestic policy, sustainability, security, environmental and development goals; and;
  - Develop a trade agenda that is inclusive and transparent.
- As we have identified in our risk register our poor transport infrastructure undermines our ability to take advantage of new global free trade agreements.
- 4.14 Transport infrastructure, and in particular support for the Peninsula Rail Task Force, are already a key part of our ask of government. However the recently published National Infrastructure Commission Assessment made no reference to meeting regional transport needs in favour of focussing on emerging combined authorities. No reference was included either about the development of ports. This was publicised alongside a consultation timetable and we will therefore seek to ensure these issues are recognised in the final report which is billed as a 30 year strategic plan.
- 4.15 Some movement seems apparent in the GWR franchise consultation and we now have a commitment to carry out the upgrade works at Dawlish as a priority. The RIS2 strategy needs to be a focus of our efforts to secure a motorway upgrade and this will be all the more important in the event of a hard border with the EU. This will continue to be part of our wider ask and the Brexit dimension will offer an additional argument to secure our wider ask.
- 4.16 The White Paper on the Customs Bill suggest that in the event of a no deal scenario the ports and airports that are likely to see the greatest change are those that currently only (or predominantly) deal with intra-EU trade. As a roll on roll off ferry terminus linking with France and Spain we anticipated we might need to contingency plan for customs delays. Discussion with AB Ports and Brittany Ferries suggest that whilst this is an issue for areas of the country with greater volumes of cross channel traffic this is unlikely to arise here.
- 4.17 The Bill provides for three scenarios; ‘a new customs partnership with the EU’, a ‘highly streamlined customs arrangement’ or a no deal scenario. In the first case there would be minimal impact as arrangements would remain much as they are. In the second the government would seek the bilateral implementation of a technology-based solution for roll-on, roll-off ports so that vehicles were not required to stop at the border, enabling traffic to flow smoothly.
- 4.18 The Customs Bill recognises that the majority of ro-ro ports are space-constrained and the Bill will enable the government to require that consignments are pre-notified to customs enabling traffic to flow smoothly. HMRC is currently implementing a new Customs Declaration Service (CDS), which will replace the existing customs system (CHIEF). This is a high priority project within Government and HMRC is on track to deliver by January 2019. The Public Accounts Committee has expressed concern that the Government is relying heavily on the timely delivery of this project, and EU agreement to a transition period.
- 4.20 In terms of digital connectivity we are well connected by UK standards. We will promote a dialogue through the Growth Board to see what more we can do to support local businesses to develop a global digital footprint. We will consider the potential of [great.gov.uk](http://great.gov.uk) to serve as a platform for local business and we consider collaborating with the DIT in running local seminars for businesses.



### **Loss of direct EU support**

- 4.21 It is difficult to establish the extent to which Plymouth currently benefits from direct EU support. EU structural funds allocated to the UK are worth €107 per person per annum. On this basis Plymouth's share of the pot should be €27m per annum. However ESIF funding for the whole HotSW area amounts to only €19m per annum. This reflects the different status of areas of the UK, Cornwall for example which historically has benefitted from Objective 1 status receives almost €1000 per person per annum.
- 4.22 The Treasury gave an early in principal commitment that ESIF programmes will be continue to be funded post Brexit so long as they are aligned to democratic priorities. There is however a question about what will happen with funding from the 2014-20 programme which currently remains unallocated. Now that the joint negotiated position is that the UK will contribute to, and participate in, the implementation of the Union annual budgets for the years 2019 and 2020 as if it had remained in the Union the treasury may be prepared to give a more blanket commitment in relation to the current ESIF programme.
- 4.23 We are tracking Cornwall's position in respect of transition arrangements for EU funding. A model which focusses on commitments such as, "no area will get less than currently", could serve to perpetuate unfairness in the current system. We want to see a needs based approach to the promised shared prosperity fund linked to broader 'corridor' based approaches, which would for example support our work around a Plymouth – Exeter – Torbay growth corridor.

### **Impact on HE sector**

- 4.24 Whilst the joint report from the negotiators is not explicit about the UK's participation in the remainder of the Horizon 2020 programme the in principal financial agreement is that the UK will contribute to, and participate in, the implementation of the Union annual budgets for the years 2019 and 2020 as if it had remained in the Union Budget.
- 4.25 In its future partnership paper the Dept.ex.EU states that - The UK recognises the need to provide certainty to all stakeholders wherever possible. This is why the Government has committed to underwrite bids for Horizon 2020 projects submitted while the UK is still a member of the EU. The UK will work with the Commission to ensure payments when funds are awarded, and Horizon 2020 participants should continue to collaborate as normal.
- 4.26 The paper is not wholly clear about the UK's future status in relation to future rounds of the Horizon Programme; however it notes the option of associate membership, where non EU member states can access funds but not influence work programmes, or third country membership where countries with a suitable track record of excellence are allowed to participate on a self-funding basis.
- 4.27 The Prime Minister has confirmed that UK will continue to take part in the Erasmus student exchange programme until at least the end of 2020 whether it is involved long term is among issues likely to be discussed during the next stage of negotiations.
- 4.28 The paper does set out that one of the UK's core objectives is to "seek agreement to continue to collaborate with European partners on major science, research, and technology initiatives". This may go some way to addressing concerns about damage to collaborative working with EU research institutions and organisations. However it needs to be supported with the right arrangements for visa's and research funding if we want to avoid reducing the potential appeal of UK research roles.

### **Welcoming City**

- 4.29 One Plymouth has endorsed an approach to addressing the poor cohesion rates in some of our 'left behind' communities which may have the long term benefit of reducing negativity towards our international community. There has been no new evidence of hostility to EU

citizens but we remain concerned about the potential for this to manifest as Brexit negotiations proceed.

- 4.30 We do not know enough about the impact of Brexit on tourism. We propose to undertake some work with Destination Plymouth to see if we can identify any trends in EU visitor numbers.

### **Preparedness**

- 4.31 The Policy and Intelligence team will continue to track the progress of Brexit legislation through Parliament and monitor media and other sources to inform our understanding of the progress being made in the Brexit negotiations.
- 4.32 We will update the risk register to ensure we are maintaining robust mitigation of risks which emerge and continue to embed a Brexit dimension in our wider corporate work, in particular around economic growth, skills development and transport and digital connectivity.
- 4.33 We will continue to broaden our engagement with the Business Sector; our local and regional partners, in particular the HotSW LEP, Cornwall County Council and, the South Coast Marine Cluster and our Higher Education Sector.

### **5.0 Conclusions**

- 5.1 The principal challenge we face in ensuring we are able to make the most of the opportunities which arise from Brexit whilst mitigating as far as possible the specific risks that arise is the lack of certainty about our future relationship with the European Union. The risks we face in terms of lost benefits already enjoyed are perhaps more easily established than the potential economic benefits which may accrue from our ability to trade independently. It is worth noting in this context that the EU itself predicts that 90% of the growth in global trade over the next two decades will occur outside the EU.
- 5.2 Nationally the cost of financing the 'divorce payment' over and above the savings we will accrue from no longer having to contribute to the EU budget is estimated by economists at £35bn and £40bn, a sum equivalent to around 7 years of UK contributions to the EU budget. However UK GVA for the 12 months to Q3 in 2017 is around £1.74tn on the basis of which total public sector revenue was around £660bn. It is important to recognise therefore that 1% of lost growth would have significantly greater impact on the public finances in each and every subsequent year than the one off total cost of the divorce settlement.
- 5.3 Locally in the short term, economic models based on assumptions of a soft or hard Brexit have predicted a loss of GVA to the local economy of between 1 and 2 per cent, this would equate to between £500 and £1000 per household. Whether Brexit provides an economic stimulus in the longer term is a matter for speculation.

Issue	Current Status Risk/Opportunity	Activity	Outcome
<p>Repeal the European Communities Act and incorporate EU law into UK law.</p>	<p>There will be minimal short term impact as the current legislative framework will be preserved on Brexit day. In the longer term there may be an impact on legislation in particular the laws relating to employment, procurement, health and safety and the environment. There is a risk of legislation that is difficult to implement or places additional burdens on the local authority and partners</p> <p>The delegated powers Ministers will have to amend legislation to ensure coherent application have been clarified in a memorandum. As a result the risk of additional burdens being placed on local government without parliamentary scrutiny is reduced as this will be subject to an affirmative procedure.</p> <p>The memorandum also enables a Minister of the Crown to provide in domestic law for a right of challenge to the validity of retained EU law. This could conceivably allow a challenge to enforcement action taken under EU law. This too will be an affirmative procedure.</p> <p>Powers taken back from the EU, could be devolved to local government in line with the existing principle of subsidiarity. Some risk of lost influence over UK legal framework unless the current role of local government in relations to the Committee of the Regions is replicated.</p>	<p>The LGA is leading on the impact of the Withdrawal Bill and has produced a brief which identifies EU legislation effecting local government</p> <p>Policy team will prepare a brief responding to questions raised by the LGA to support the Chief Executive's attendance at the LGA Post-Brexit England Commission SW Roadshow.</p> <p>We will discuss with the Growth Board the mechanisms that may be needed to identify wider impacts on businesses and key partners.</p> <p>We included devolved powers and the role of the COTR in our evidence to the CLG select committee. We note that the Government has accepted the relevant amendment inserted by the Lords and will be seeking a non-statutory mechanism that replicates the rights and responsibilities local government has had through the CoR</p>	<p>Whilst the memorandum is not a panacea it does at least ensure that any changes will be subject to parliamentary scrutiny.</p> <p>Risks can now be managed through a business as usual approach or highlighted as areas where the specific local risks justify lobbying.</p>

Issue	Current Status Risk/Opportunity	Activity	Outcome
Restricted supply of migrant labour.	<p>Applying current UK immigration legislation to EU citizens could restrict the supply of migrant labour, the Home Secretary has promised a white paper on immigration later in the year based on the Migration Advisory Committee call for evidence on the migration impacts of EEA-workers in the UK labour market.</p> <p>EU migrant labour represents particular skills sets in academia, advanced engineering, manufacturing, construction, tourism and care.</p> <p>Our future demand for construction skills is likely to increase and this could put flagship construction programmes at risk.</p> <p>The joint negotiators have reached an in principle agreement about the future status of EU citizens in the UK (and vice versa) this will be ratified as part of the forthcoming bill on the EU withdrawal agreement. The framework agreement may convince those who are already here and not planning to leave that they are likely to be able to stay if they have 5 years residence by the 'specified date'.</p> <p>It is unclear whether this will convince EU citizens living in the UK to stay. A further driver is the current low value of sterling which has been identified as a contributing factor in the problems Cornwall is experiencing in recruiting seasonal agricultural labour. There is also a risk in relation to higher skilled occupational groups who may be more easily able to relocate to the EU.</p> <p>We also need to consider potential post Brexit regional competition for labour.</p>	<p>We have responded to MAC consultation and have written to the new Home Secretary, Rt Hon Sajid Javid MP outlining our continued concern.</p> <p>Our Building Plymouth programme ensures we are invested in upskilling our resident community to meet the demand for construction workers We need to discuss with regional partners how they will manage skills shortages especially as we are the only SW LEP with no Skills Pilot.</p> <p>We continue to seek more robust evidence and will increase our engagement with the local business sector through the Growth Board, Skills Board and other mechanisms.</p> <p>We need to consider how we can encourage migrants who are resident and working in the City to stay, we are considering a survey of locally based migrants to gauge intentions.</p>	<p>We understand our exposure to a restricted supply of migrant labour and we have in place a clear plan to ensure that flagship programmes are not delayed or jeopardised by skills shortages.</p>

Issue	Current Status Risk/Opportunity	Activity	Outcome
Foreign Direct Investment	<p>Half of our 20 largest companies are foreign owned and half of these are located here specifically to access EU markets.</p> <p>The progress made in this round of Brexit negotiations means that talks can now proceed to issues of trade.</p> <p>We are a world leader in marine technology but we need help to reach the global market place.</p> <p>Creating an attractive relocation offer by fostering cluster and supply chain opportunities will be the key to attracting future foreign direct investment.</p> <p>There are risks and opportunities that relate to the fishing industry. In particular the regulatory framework that will replace the Common Fisheries Policy.</p>	<p>Continue to proactively initiate activities to give the sector confidence including meeting business leaders and organisations. We are propping to engage the Growth Board and Skills Board in the near future.</p> <p>A Marine sector deal is being negotiated. We will seek to influence this through the South Coast Marine Cluster.</p> <p>We have conducted a risk assessment of proposed future trade and customs arrangements. A recent iSPER led conference highlighted the risks around supply chains.</p> <p>Our ask around Department of Maritime Affairs has been communicated in our evidence to the CLG select committee on the impact of Brexit on Local Government.</p>	<p>We are marketing Plymouth as a global leader in marine technology and we have an attractive relocation offer in place.</p>
Domestic and international connectivity	<p>Poor transport infrastructure undermines our ability to take advantage of new global free trade agreements and new customs requirements could put at risk existing routes for goods (especially agricultural and fishing produce) to France and Spain and generate new infrastructure requirements.</p> <p>The Customs Bill identifies risks associated with roll on roll off ferries, particularly those who are currently mainly serving the EU market. Whilst the Bill does set out mitigation arrangements these have been criticised by the Public Accounts Committee. It has said that Government preparations for post Brexit border control are inadequate, in particular its presumptions, that <b>risks to border activity will remain unchanged, that there will be a transitional period</b> and that the new customs declaration service will be ready on time.</p>	<p>Continue to lobby relevant ministers to secure connection to Strategic National Corridors network, a motorway quality link to the road network and funding for the Peninsula Rail Task Force.</p> <p>The PRTF role is acknowledged in national rail strategy for SW.</p> <p>The Dept for International Trade (DIT) run seminars for companies interested in online exporting. We could invite/collaborate with the DIT in running seminars locally. We will also consider the potential of <a href="http://great.gov.uk">great.gov.uk</a> to serve as a platform for local business.</p> <p>We have raised customs related concerns at our regular meetings with Brittany Ferries and AB ports. They are confident that the volume of traffic through the port will not generate a problem and have</p>	<p>We have a plan in place to secure better road and rail links and local businesses are making better use of online trading opportunities.</p>

Issue	Current Status Risk/Opportunity	Activity	Outcome
		offered to pilot new customs, border controls at Millbay.	
Loss of direct EU support	<p>We currently benefit from ERDF, ESIF and EMFF. Across the region the CAP is a significant source of income for the Farming industry.</p> <p>The Treasury has guaranteed EU-funded projects which continue after we leave the EU provided they are value for money and in line with domestic strategic priorities.</p> <p>Agricultural funding now provided by the EU will also continue until 2020.</p> <p>The autumn statement did not include a commitment to a shared Prosperity fund. However the framework agreed by the joint negotiators does ensure continuity in most cases to cover the current funding round e.g. to 2020. The need for clarity about its replacement will escalate as we approach the end of that period.</p> <p>Whatever funding is available is likely to be linked to the industrial strategy and delivery will most probably continue to be through the LEPs.</p>	<p>Engage in design of future funding streams, either directly or through LGA, LEP etc and seek to secure additional funding to meet the new challenges that will arise e.g. accessing new markets.</p> <p>Seek to influence local LEP priorities and to ensure we maintain current funding levels.</p> <p>HOTSW are hoping to engage in co design of new funding arrangements. They are meeting with Civil Servants in January for productivity strategy and devolution conversations.</p>	Ongoing programmes funded by the EU remain viable and future funding streams are optimised as far as possible to our local need.
Impact on HE sector	<p>The higher education sector benefits significantly from research grant and contract income from EU sources.</p> <p>UK institutions will continue to be eligible for the Horizon programme and UK will participate in the Erasmus+ student</p>	Support the Higher Education sector as requested, e.g. around reclassification of international students. This was embedded in our response to CLG select committee.	The HE Sector is able to replace lost research income and Plymouth can continue to provide

Issue	Current Status Risk/Opportunity	Activity	Outcome
	<p>exchange programme until 2020. Future partnership proposals put forward by the Depart for Exiting the European Union still fall short of sector expectations.</p> <p>A reduction in EU student numbers will lead to loss of income, research and a reduction in the number of skilled graduates available to the economy.</p> <p>New risk identified around tier 2 migration cap.</p> <p>We need to ensure we can meet the demand for highly skilled technicians our marine industries generate.</p>	<p>Collaborate with the sector to market the City internationally as an attractive place to study and as a destination for employers.</p> <p>Address the cohesion issues which might put international students off coming to Plymouth.</p>	<p>attractive career options for graduates and welcome international students.</p>
Welcoming City	<p>We need to persuade the (18,000+) people who were born outside the UK to stay and continue to attract new migrants if we are to meet our population growth targets.</p> <p>Locally Brexit has highlighted serious cohesion challenges as evidenced by the reported increase in Hate Crime following the referendum.</p> <p>The business community feel that that tourism might be damaged by the prevailing perception in Europe that Brexit has created a climate in the UK that is not welcoming for international visitors.</p>	<p>Work with local partners to improve our understanding of the needs of the migrant community.</p> <p>Focus our Controlling Migration Fund bid on enabling migrants to integrate and promote cohesion in our local communities. This was agreed by One Plymouth and we are now progressing CMF bid work on this basis.</p> <p>Develop our Welcoming City agenda to address 'brand' concerns. We will consider raising this with Destination Plymouth. ISPER network highlighted potential growth in staycations.</p>	<p>Cohesion rates improve towards the national average, the proportion of migrants that speak English increases and Plymouth is seen as a City that welcomes foreign visitors.</p>
Preparedness	<p>Emerging risks highly likely in context of next phase of Brexit negotiations. 7 more bills are anticipated between now and March 2019.</p> <p>The first of these the Trade Bill has already had a second reading in the House of Commons. A white paper has now been published on a future Customs bill.</p>	<p>Briefings are circulated on specific issues through the Policy Brief network and where appropriate shared with wider partners through our Brexit Yammer Group.</p>	<p>New and emerging risks are identified and contingency planning undertaken as required.</p>

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	<b>Fishing and Fisheries</b>
<b>Committee:</b>	<b>Brexit, Infrastructure and Legislation</b>
<b>Date:</b>	6 June 2018
<b>Cabinet Member:</b>	N/A
<b>CMT Member:</b>	Giles Perritt - Assistant Chief Executive
<b>Author:</b>	<b>Kevin Mckenzie - Policy Advisor</b>
<b>Contact details</b>	Tel: 01752 304318 email: kevin.mckenzie@plymouth.gov.uk
<b>Ref:</b>	BIL/001/18
<b>Key Decision:</b>	<b>No</b>
<b>Part:</b>	I

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**Purpose of the report:**

The report sets the context for a scrutiny select committee review of fishing and fisheries. It discusses the impact of the UK leaving the EU in terms of the Common Fisheries Policy and European Maritime and Fisheries Fund. It sets out the pledges made by the incoming administration and some key question around the theme of fishing that panel members may wish to consider.

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**Corporate Plan**

The Chair has indicated his intention to call on representatives of Fishermen and the Fishing industry to give evidence to the review. This will support our value of being democratic by ensuring people have a say about what is important to them. It will assist us to develop an offer we can be proud of which grows our reputation nationally and internationally.

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**Implications for Medium Term Financial Plan and Resource Implications:  
Including finance, human, IT and land**

The review will call on representatives of the fishing industry to give evidence; there may be financial implications in terms or reasonable expenses incurred in attending. Members may wish to conduct site visits, at Sutton Harbour and other locations within the City.

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**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

The report does touch on the issue of maritime safety, e.g. the administrations pledge in relation to the lifejacket scheme; however any change to the scheme would require a separate report.

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No - as no decision is being taken on which to base one.

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**Recommendations and Reasons for recommended action:**

Members of the panel are asked to note the report and suggested scope of the review and to resolve to seek the approval of the Overview and Scrutiny Committee for a Select Committee review to be scheduled later in the year.

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**Alternative options considered and rejected:**

None.

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**Published work / information:**

Minutes of Council 26<sup>th</sup> March 2018.

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

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**Sign off: Not required as no decision is being taken.**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member N/A													
Has the Cabinet Member(s) agreed the contents of the report? The view of the Leader has been sought in his capacity as the relevant Portfolio holder.													

## **INTRODUCTION**

Following the local elections in May the new administration has established a Brexit, Infrastructure and Legislation Scrutiny Committee. As a topic fishing cuts across all three of these areas:-

- The industry is currently regulated by the Common Fisheries Policy of the European Union.
- The success of the fishing industry is reliant a great deal upon the capacity, quality and suitability of the supporting infrastructure.
- The Government proposes to introduce a Fisheries Bill in the current parliamentary session.

At full Council on 26<sup>th</sup> March 2018, members overwhelmingly endorsed a Motion on Notice, which committed Plymouth City Council to supporting the British Fishing Industry and in particular the fishing industry here in Plymouth. At the last election both main parties made a commitment to the industry for the long term. This topic therefore lends itself to constructive scrutiny which could add value to our understanding of industry needs.

The new administration has made several pledges that are of direct relevance.

- To work with Plymouth's fishing industry to launch a Plan for Sustainable Fishing to secure the industry's future in the city.
- To review the proposals for improved facilities for the fishing sector. These proposals have come from the local fishing industry, and include better infrastructure at the east of Sutton Harbour and a fishing-related building development.
- To continue to support the life-saving lifejacket scheme.

These may provide some ready terms of reference for the committee to consider.

## **CONTEXT**

Following the motion passed at full council in March the Chief Executive was instructed to write to the Secretary of State for Environment, Food and Rural Affairs. We have since received a reply from the Minister for Agriculture, Fishing and Food setting out the Government's position.

In relation to fisheries subsidies after we leave the EU the Minister advises that all European Maritime and Fisheries Fund (EMFF) projects approved before the UK leaves the EU will be fully funded under a Treasury guarantee, even when these projects have not been completed by the UK exit date. The UK will continue to participate in all EU programmes financed by the Multiannual Financial Framework (2014-2020) until their closure. It is expected, therefore, that the EMFF will continue to be open for new projects until 2020. Work to consider the longer-term future of all programmes that are currently EU funded is underway.

The minister also set out the Government's position on the Common Fisheries Policy. Current fisheries rules will continue to apply during the implementation period. These arrangements, however, will only apply to negotiations in 2019. By December 2020, the UK will be negotiating fishing opportunities for 2021 as a third country and independent coastal state completely outside the Common Fisheries Policy.

Finally he sets out that after 2020 we will be in fully control of access to British waters. The Government has given notice to withdraw from the London Fisheries Convention which will take effect in July 2019. There will therefore be a clear and open basis on which to start negotiations on future fisheries agreements. Leaving the EU will also provide an opportunity to secure a fairer share of fish in our waters and to safeguard the long-term profitability of the industry.

## **PLYMOUTH'S FISHING INDUSTRY**

The UK Sea Fisheries Annual Statistics Report 2016. MMO, published 28<sup>th</sup> September 2017 noted that:-

- Plymouth is the administration port with the largest number of fishermen in the UK, and second largest in terms of vessel numbers.
- Plymouth ranks consistently in the top 3 fishing ports in the country for both volume (11,000 tonnes) and value of landings (£15m).
- Recent estimates from the MMO suggest that Plymouth landed £15.65m last year.
- In the first year of operation the current fish quay and market turned over £2.1m, with the market going from strength to strength with a 2017 turnover of £18.8m.
- November 2017 saw the fish market record with £1m of sales in one week.

Sutton Harbour is of national significance for landing and exporting fish. The fishing industry adds over £15m in Gross Value Added (GVA) to our local economy each year landing around 13% of England's total fish catch each year.

Despite its growing importance nationally, and as a hub for marketing fish from across the south west peninsula, the last major investment in the city's fishing port facilities was 1992. A major upgrade is needed to improve productivity, regulatory compliance and to remain competitive. The fish quay is centrally located in Sutton Harbour and redevelopment would have wider regeneration benefits. Recent research commissioned by Plymouth City Council and carried out by R B Anderson & Associates revealed consistent messages about Plymouth's fishing port. Whilst the fishing port was positively described as:

- A vibrant business area
- High degree of beneficial interdependency between businesses operating there
- High value attached to the market and quay
- Source of local employment

There were complaints of:

- Lack of space for: storage, parking, loading/unloading, repairs and maintenance, maneuvering and berthing of boats.
- Apparent deficiencies in facilities: toilets, showers, fuel, water, ice, food hygiene, waste and recycling
- Perceptions of excessive charges: rents, fuel, parking and mooring fees
- Health and safety concerns regarding proposed public access
- Fears of the quay being lost to the industry or its use seriously compromised by redevelopment.

### **FUTURE NEEDS & POSSIBLE ACTIONS**

The physical needs are various and include:

- efficient landing facilities and safe berths for vessels
- fish processing capacity and cold storage
- good freshwater supply
- marketing infrastructure
- accommodation for the associated services
- good vehicular and other transport links

With these physical needs of a fishing port in mind, the current issues with the facilities in Sutton Harbour operating beyond capacity are more problematic. It is felt that there is a of lack of adequate storage space, vehicular movements, berthing vessels, and these problems have only been

exacerbated by the success of the fish market and the increased volume of fishermen and vessels using the port, in addition to increased competition for space from leisure boats.

As such, the principle risk to the fishing industry in Plymouth is inaction and continued uncertainty about the future of the fish quay and the fish market.

It has been suggested that regenerating the empty work units would solve the issues, further improve services and help foster new businesses and jobs. There were also claims that a 'fishing quarter' could be established to become part of Plymouth's tourism offer and help build stronger links between the local fishing industry and the wider community.

As with everything Brexit is a major issue and creates another layer of uncertainty with the outcome for fisheries remaining unclear. However, evidence appears to suggest that leaving the Common Fisheries Policy will allow the UK to devise smarter and more responsive policies. Reconfiguring the allocation of fish stocks in line with international practice, a system called zonal attachment, would create a substantial net gain for the UK.

### **ROLE OF THE COUNCIL**

The City Council has already taken steps to support the industry and have proven themselves as '*energetic in providing strategic and practical support to the industry*'. The research by R B Anderson & Associates outlines 2 primary roles of the council in pursuit of their objectives:

- Continuing to protect and assist the industry as far as possible through its statutory powers
- Act as a catalyst, facilitator and enabler

Specifically, the council can utilise their planning and consenting processes to maximise the proportion of benefits that are locally derived from the port and its facilities. Respondents to the survey also made clear that they would welcome further intervention from the council in terms of the competing interests at the fish quay and market and the possibility of redevelopment.

It was recommended that the council could assist in organising and facilitating a long term strategy led by the fishing industry. In addition to this, it was suggested that the council could facilitate discussions between the 4 main fishing institutes in Plymouth (the Marine Institute, the University of Plymouth, Plymouth Marine Laboratory, Sir Alister Hardy Foundation for Ocean Science and the Marine Biological Association, and the local fishing industry) to establish areas of mutual benefit.

Overall, it is recommended that the council continues to work in partnership across the whole of the fishing industry, look across all programmes, with a marine or maritime element and explore scope for closer connections, raise the profile of the fishing industry and strengthen the connections between Plymouth residents (e.g. part of the potentially remodelled complex of the fish quay could include an education centre) and give better prominence to the industry in council literature.

### **QUESTIONS SCRUTINY MAY WISH TO CONSIDER**

#### **What would we like to see in the Fisheries Bill?**

There is potential for coastal communities such as Plymouth, and the wider UK, to benefit from the UK leaving the Common Fisheries Policy (CFP). It is widely believed in the UK that our fishing industry is short changed by the CFP quota system. Zonal attachment, an economic link between ports and fishing zones to maximise regional economic development might be an alternative. However as we don't eat a lot of fish a great deal of what we catch is sold in European markets. Fish do not respect international maritime boundaries and the French, Spanish and Dutch are likely to argue for a greater share for their own industries.

Whilst we know that we will continue to be subject to the CFP throughout the implementation period we do not know what approach the Government proposes to take in the longer term. Some level of pan European cooperation is necessary to avoid the risk that one country overfishes to the

detriment of all the others. The worst possible outcome for the industry would be an unregulated free for all which would rapidly exhaust fish stocks generating a short term boom at the expense of long term sustainability.

### **What should the balance be between environmental protection and food production?**

Our new administration has committed to supporting the idea of Plymouth Sound becoming the UK's first Marine Park, signalling a seriousness of intent around protecting biodiversity in our waters. The Government has committed to leaving the CFP however the industry is concerned that we will leave the CFP only to impose a very similar UK regime. There are many small communities dotted around the UK for whom Fishing is a vital industry. We need to recognise that the industry will struggle to flourish if the regulatory environment is not conducive.

Locally there is significant interest from Cornish and Devon MP's. Recently a City MP asked a question about the implementation in the UK of EU rules about 'discard'. These rules, which are anticipated in 2019 will require Fisherman to 'land' their catch even when the fish caught are too small to be sold. Whilst this practice has many critics it is worth noting the experience of Norway. The Norwegians introduced this practice some years ago and this led to the industry adopting new techniques that caught fewer under sized fish.

### **How should we support the fishing industry towards sustainable growth?**

Whilst the key determinant of the potential for growth in the Fishing Industry will be the post Brexit regulatory environment it is worth noting that even under the CFP the industry has enjoyed significant growth in recent years as fish stocks have been recovering. The study discusses options for the future of Sutton Harbour, broadly it concludes that we have a choice about whether to sustain the local industry as it is or push for further growth.

If we want the industry to grow we would need to develop and modernise Sutton Harbour. There is potential for Plymouth to serve as an administrative centre for the Fishing industry working in partnership with Newlyn and Brixham Harbours, potentially picking up some of the responsibilities currently within the remit of the EU. If we do decide to push for growth and a Plymouth based fisheries administration then we will need to lobby to ensure resources are available to modernise port infrastructure. If environmental protection is seen as more of a priority the industry might need to invest in new equipment to support lower impact fishing practices either way some replacement for the EMFF will be required.