ECONOMIC IMPACT AND BUSINESS PREPAREDNESS

Brexit Office

INTRODUCTION AND BACKGROUND

In 2017 we set out a four year programme to deliver against 100 pledges, by March 2022, for a better, greener and fairer Plymouth.

Pledge 11

Not enough work has been done on the economic impact of Brexit – both positive and negative – on the City Council and Plymouth in general. We will make sure that research is undertaken and is made available to the public.

The due date for the delivery of this pledge is December 2020.

Part D of the constitution sets out the Council's Overview and Scrutiny arrangements. The terms of reference of the Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee (BILCO) include :-

- Reviewing the impact of Brexit on the city
- Proposing measures that Government should take to provide stability for the council and partners in light of Brexit
- Exploring powers could be devolved from the EU directly to local authorities

BILCO has met on 15 occasions since its first meeting on 6 June 2018 and considered 23 reports, providing evidence to members of the committee about Brexit related risks and opportunities. The written evidence to the committee has been supplemented by evidence from 17 expert witnesses. Archived webcasts, agendas, minutes and reports from all the BILCO committee meetings are available on our corporate web pages.

At its 21 October 2020 meeting BILCO agreed to hold an additional meeting to scrutinise the preparedness of a diverse range of local businesses for the end of the transition period.

To facilitate engagement with the Business Community part 1 of this report was circulated in draft at the Plymouth Business Brexit Group on 25 November 2020. It will also be made available at the Plymouth Area Business Council on 2 December 2020.

Invitations have been extended to representatives of the Business Community, including Plymouth and Devon Chamber of Commerce, Plymouth Manufacturing Group and the Federation of Small Business to attend a special BILCO meeting on 2 December 2020.

The report seeks to respond to Pledge 11 by collating and summarising the evidence of economic impact considered by BILCO, and to add value to it by relating it to the current preparedness of local business for the end of the transition period and a new trading relationship with the EU.

EXECUTIVE SUMMARY (PART 1)

- Trade negotiations are ongoing, if no agreement is reached the UK will revert to trading under World Trade Organisation (WTO) rules when the transition period is ends on 31 December.
- The UK has negotiated 23 trade agreements and continues to pursue trade agreements with another 15 countries. Where no agreements are reached trade will take place on WTO terms.
- The Government will not negotiate any arrangement in which the UK does not have control of its own laws and political life.
- Any trade agreement must allow the UK to adopt or modify its labour laws and to set its environmental priorities and the UK will not be bound by the dispute resolution mechanism.
- COVID 19 continues to have a significant impact on our capacity to respond to a crisis.
- The Bank of England Monetary Policy Committee (MPC) report for November suggests trading on WTO terms will mean higher unemployment for longer and a deeper recession.

The economic contribution from trade with the EU

- The EU, taken as a whole, is the UK's largest trading partner. Plymouth's international exports in goods were valued at £742m in 2019.
- FDI supported businesses are incredibly important to our city, as these companies are some of our largest employers, employing roughly 7,900 people.
- Foreign Direct Investment (FDI) reached a high point in the financial year 2019/20 with 12 new projects but the value of the investment projects is lower than previous years, at circa £94m
- Globally, the flow of FDI is reducing as while investors see the UK as a good destination to invest into, they are currently postponing any major decisions.
- Early intervention and dialogue will be imperative to retaining businesses. However, some parent companies that aren't based in the UK are harder to engage.
- Plymouth continues to provide high value employment opportunities across the city related to the marine sector.

Public Spending and Fiscal Impacts

- The 'divorce payment' is estimated to be £35bn, the Monetary Policy Committee predicts short term impacts from Brexit will be a 1% loss of GVA in the first quarter and a 2% fall in sterling.
- The government's own analysis forecasts that a no-deal Brexit would reduce UK GDP by 7.6%, after 15 years a free trade agreement (FTA) with the EU would lead to a 4.9% decline.
- Economists for Brexit predict a long term gain of 4% GDP if the UK unilaterally abolishes all its import tariffs, no industrialised country has ever implemented full unilateral liberalisation.
- Even under the more optimistic models, the average citizen will be £356 per year poorer. Using the Government's figures, the loss of growth to the local economy would be £400m by 2035.
- Tariff and non-tariff measures on agriculture and food and the ending of farm subsidies may increase food prices.
- Structural unemployment may result from employees being displaced from negatively impacted industries putting additional pressure of public finances.

EU Funding

- Programmes funded by European Structural and Investment Funds (ESIF) under the 2014-2020 funding cycle which were worth £5.3bn to the UK have been guaranteed by the Treasury.

- Around £120m of ESIF is allocated to the Heart of the South West LEP area, according to the DWP the European Social Fund has provided £26m across Devon for 2014-2020.
- The Government will create a United Kingdom Shared Prosperity Fund using the UK contribution to the EU budget to match current levels of EU funding as a minimum.
- Funding for the UK Shared Prosperity Fund will at least match receipts from EU structural funds, on average reaching around £1.5 billion per year.
- It will be important that the distribution mechanism to allocate funds should be sensitive to sub-regional economic geography and priorities.

Research and Development

- Our research institutions across the City including the MBA, PML and the University of Plymouth have historically relied heavily on EU funding for their research.
- The UK Government published its Research and Development Roadmap, if the UK does not formally associate to Horizon Europe, "ambitious alternatives" will be implemented.
- EU staff represent 7% of total core University of Plymouth staff and in 2019/20, the UoP had over 500 EU students.
- There is encouragement for the UK research community to recruit internationally via the Global Talent Visa. However, this is a relatively expensive programme.
- From January 2021 EU and EEA students will be as classed as international students and lose their eligibility for home funding.

Regulatory Environment

- The EU Withdrawal Act (2017) repealed the European Communities Act 1972 and converted the body of existing EU law into domestic law.
- The UK regulatory framework will gradually diverge from EU law covering the environment, product safety and labour standards.
- The UK will consider participation in Horizon Europe in line with other non-EU Member States.
- The UK will seek 'adequacy decisions' from the EU to maintain the continued free flow of personal data from EU to UK.
- The UK government will cease to follow EU rules on state aid at the end of the transition period in favour of the less restrictive WTO rules.

Workforce and skills

- Free movement will end in January 2021, a points-based immigration system will be introduced and employers will need to register to sponsor EU citizens.
- The route for skilled workers will require that applicants must have a sponsored job offer, speak English and earn the relevant salary threshold of either £25,600 or the going rate.
- Plymouth has a relatively low wage economy and some of the industrial sectors most dependent on migrant labour disproportionately employ the lower paid, e.g. hospitality and social care.
- The Government declined recommendations from the Migration Advisory Committee to include senior care workers and bricklayers on the Shortage Occupation List.
- COVID 19 is likely to mitigate the labour market pressures but structural factors may still impact on sectors with a higher skills entry requirement.
- The Global Talent route will open to EU citizens to attract recognised global leaders and promising individuals in science, humanities, engineering, the arts and digital technology.

- In September, over 3.8m people nationally had applied for the EU Settlement Scheme (EUSS). Of an estimated 10-13,000 such citizens currently resident in Plymouth, 8,040 had applied.
- Many of the EU migrant workers resident in Plymouth have limited English language skills and the Home Office do not offer advice and support in community languages.

Ports and Borders

- The UK will operate a full, external border from January 2021, introducing new border controls in three stages up until July 2021.
- The key categories of goods and the processes for moving goods between GB and the EU are set out in the Border Operating Model.
- Traders will be able to move goods into the UK under the Common Transit Convention (CTC) however a Kent Access Permit will be mandatory for HGVs crossing the short straits.
- Plymouth has received some additional funding to prepare the port for Brexit from the Food Standards Agency and DEFRA.
- There will be a significant increase in requests for Export Health Certificates and the resource required to issue them will have an impact on the Council's Food Safety team.

HMRC Excise and VAT

- The Taxation (Cross-border Trade) Act 2018 will allow the Government to create a standalone Customs regime.

Millbay, ABP and Brittany Ferries

- Plymouth is the only operational roll on roll off ferry terminal in the South West region and with no Border Control Post (BCP) our continental trade routes would be at risk.
- Associated British Ports (ABP) have submitted a bid covering all work being carried out within the port which is eligible for funding, including a BCP.
- There is potential to attract new business and relieve pressure on South East ports by accepting high risk cargo at peak times.
- Brittany Ferries will be doubling the capacity of their Plymouth to Santander route from March 2021 but there will be no sailings to, or from, Plymouth until then.
- The hiatus in services means that we will have no immediate need for a lorry park and hauliers will have three months to become accustomed to new border controls.

Sutton Harbour- Fish Quay

- Our fishing fleet will be allowed to catch more fish and the Government recently sought views about the distribution of new fishing opportunities and a strengthened 'economic link'.
- Landing more fish in the UK because of a change in the rules will not of itself produce a major uplift in the economic return from our fish stocks.
- Converting an increased quota into a viable economic concern requires suitable landing facilities, an efficient processing and distribution system and access to markets.
- Our fish quay is of national importance with an annual turnover approaching £20m and an electronic auction that facilitates the sale of fish landed across the SW 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.
- We have published a draft Plan for Sustainable Fishing, safeguarding the industry for the future within the Plymouth and South West Devon Joint Local Plan.

Cattewater Harbour

- There is potential for considerable growth in international trade and the harbour commissioners are actively pursuing new contracts.

PART 1 ECONOMIC IMPACT

BREXIT OVERVIEW

In June 2016 Plymothians 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 29 March 2017. The leave date, set into UK law by the EU withdrawal Act was the 29 March 2019, which would be followed by a transition period that was set to end on 31 December 2020 to allow the UK and the EU to negotiate their future trading relationship.

In practice the transition period was shortened by 10 months when the leave date was first postponed until 31 October 2019 and then until 31 January 2020, when the UK finally left the European Union following a General Election. The Government declined to seek an extension of the transition period refusing to take up an option to request one that expired in June 2020.

The political framework which was published alongside the withdrawal agreement sets out the heads of terms for the free trade agreement. Negotiations are ongoing and a number of points of difference remain to be resolved. These concern: -

- The extent of the rules governing state aid, employment and environmental protection
- The right of the EU fishing fleet to continued access to UK waters

The UK government has made it clear that if no agreement is reached the UK will revert to trading under World Trade Organisation (WTO) rules.

Whilst most EU rules and regulations continue to apply throughout the transition period the UK is free to enter into independent trade negotiations provided that any agreements reached do not come into force until it ends. In addition to membership of the Single European Market covering the EU member states and EFTA the UK benefits from 40 trade deals negotiated by the EU covering 70 countries that are not EU member states.

The UK has negotiated 23 trade agreements that will come into force on 1st January 2021[1]. The UK-Japan Comprehensive Economic Partnership Agreement (CEPA) was signed on 23 October 2020 and is expected to come into force at the end of the transition period. The UK government continues to pursue trade agreements with another 15 countries, if an agreement is not reached by 31 December 2020, trade with other World Trade Organisation (WTO) members will take place on WTO terms.

The WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities. They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more. A number of simple, fundamental principles run throughout all of these documents.

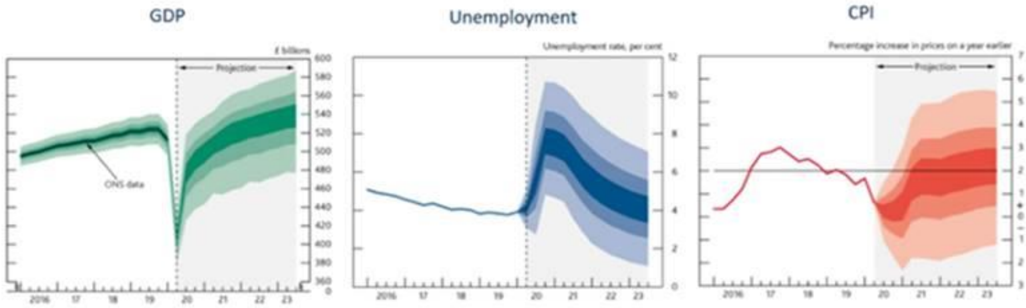
- Countries cannot normally discriminate between their trading partners. If a lower customs duty rate is offered to one WTO member the same rate applies for all the other WTO members.
- Imported and locally-produced goods should be treated equally after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents.
- Lowering trade barriers through “progressive liberalisation” policies as a means to encourage trade.
- In the WTO, when countries agree to open their markets for goods or services, they “bind” their commitments. For goods, these bindings amount to ceilings on customs tariff rates. A

[1] See appendix 1 for a list of countries covered by trade agreements with the UK which will come into force on 1 January 2021.

country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade.

COVID 19 continues to have a significant impact on our collective capacity to respond to a crisis. Should we be subject to additional restrictions as we reach the end of the transition period, many of the impacts we have identified could be exacerbated.

- Economic climate - we are now officially in a recession, with employment weakening due to increases of economic inactivity. There are approximately 9,600 people furloughed in Plymouth as of August 2020, many of whom have been away from work for over 5 months.
- Unemployment and at risk sectors- a number of sectors which have been impacted by COVID 19 are at risk of further impacts from Brexit, particularly the hospitality and tourism sector and manufacturing sector. It is likely that many people on furlough will not have jobs to return to.



The Bank of England Monetary Policy Committee (MPC) expects the direct economic impact of COVID 19 to fall way over its forecast period. The lightly shaded fantails in the graphs represent a high degree of uncertainty around the central forecast which assumes a comprehensive free trade deal with the EU. The impact of a smooth transition to WTO rules is now included as a downside risk and the graphs suggest the impact would be higher unemployment for longer and a deeper and longer recession.

THE ECONOMIC CONTRIBUTION FROM TRADE WITH THE EU

The EU, taken as a whole is the UK's largest trading partner. In 2019, UK exports to the EU were £294 billion (43% of all UK exports). UK imports from the EU were £374 billion (52% of all UK imports). The share of UK exports accounted for by the EU has generally fallen over time from 54% in 2002 to 43% in 2019. Until the 31 December 2020 the UK continues to be covered by trade agreements negotiated by the EU.

Plymouth generated £5.23bn real GVA in 2018. This represented a 1.5% increase from 2017 and an 11% increase since 2011 slightly less than the UK economy as a whole which grew by 14.5% over the same period. Real GVA, however, has seen weaker growth in Plymouth due to slow growth in employment since 2013. Plymouth's productivity gap with the national average has narrowed given strong economic growth in the last 4 years; GVA per hour worked stood at 87% of the UK average in 2018, the highest on record, and up from 81.5% 10 years earlier.

Plymouth's international goods exports were valued at £742m in 2019. This represents 14.2% of the city's Gross Value Added (GVA). In 2019, 489 Plymouth businesses exported goods to the EU (8.3% of all Plymouth businesses). 12.8% of Plymouth's businesses imported from EU countries (757 businesses). Regionally, 4.6% of SW businesses exported goods to the EU markets, with the value of collective exports representing 7.0% of the region's GVA.

Our concern is not just about reduced new Foreign Direct Investment (FDI) investment but also retaining our existing FDI businesses in the City. The retention of FDI supported businesses is incredibly important for Plymouth, as these companies are some of the largest employers in the city, employing roughly 7,900 people. They have always been able to rely on their UK based operations having access to the EU single market. A number of Plymouth firms are dependent on larger European supply chains and of the 20 largest employers, which collectively contribute nearly £1 billion to Plymouth's GVA, three quarters have parent companies outside of the UK.

The financial year, 2019/20 was a high point in terms of foreign led investment with 12 new projects. The pipeline for FDI flows into Plymouth at the end of Q2 of the 20/21 financial year was strong with multiple projects due to land within the current financial year, and more expected to emerge and convert in time. The total value of the investment projects is lower than previous years, at circa £94m which suggest that the assumptions underlying MPC forecast that companies are holding off making major investment decisions are accurate.

Globally, however, the flow of FDI is reducing. This combined with both the Covid-19 pandemic and the uncertainty caused by the Britain transitioning out of the EU suggests that the FDI flows into Plymouth may reduce compared with the last year's figures. Intelligence indicates that while investors see the UK as a good destination to invest into, they are currently postponing any major decisions until more certainty can be provided.

It is difficult to accurately assess the risk of losing these businesses until the outcome of the trade negotiations is known. Early intervention can mitigate the risk, as was demonstrated recently through the support we were able to give to the Barden Corporation, and continued engagement and dialogue will be imperative. In the case of FDI supported businesses this is more complicated as parent companies that aren't based in the UK are harder to engage.

Plymouth continues to provide high value employment opportunities across the city related to the marine sector, with Oceansgate nearly at full occupancy for both phase 1 and 2. Through the Sector Hub Pillar of the Resurgam Economic Recovery Plan we have worked with our external Sector Stakeholders to support the development of individual action plans for each of our 11 key economic sectors to help stabilise the sector and to support recovery and growth.

Our fish quay at Sutton Harbour is of national significance for landing and exporting fish and its operators Plymouth Trawler Association already have an annual turnover approaching £20m. Its electronic auction facilitates the sale of fish landed across the SW peninsula and the fishing industry adds over £15m in Gross Value Added (GVA) to our local economy each year.

PUBLIC SPENDING AND FISCAL IMPACTS

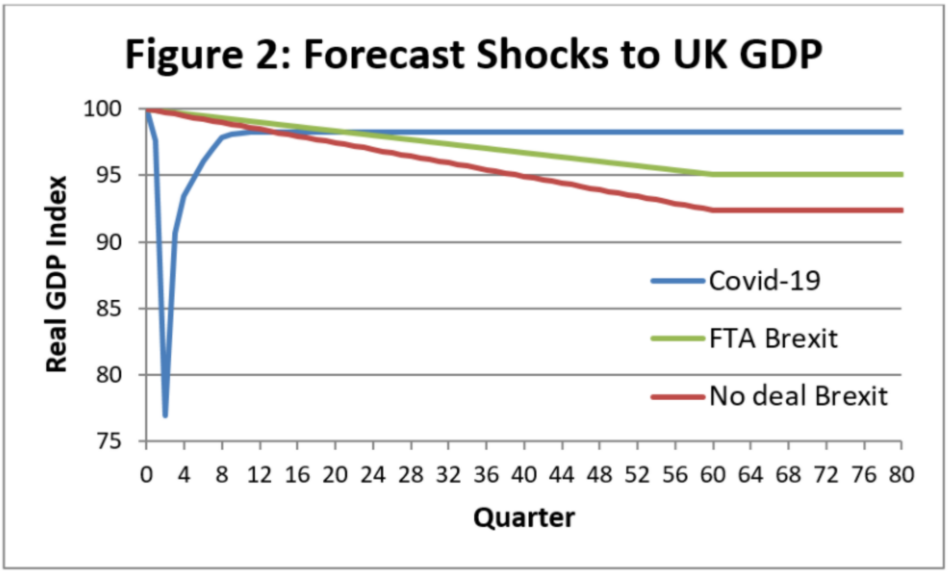
Nationally the cost of financing the 'divorce payment' over and above the savings we will accrue from no longer having to contribute to the EU budget is estimated by economists at between £35bn and £40bn, a sum equivalent to around 7 years of UK contributions to the EU budget.

This picture has been recently enhanced by the Bank of England Monetary Policy Committee report for November which sets out the short term impacts from Brexit :-

- 1% loss of GVA in first quarter
- Sterling exchange rate index had fallen by around 2%
- Economic activity has been somewhat lower in the UK relative to other advanced economies
- Brexit-related uncertainty is also likely to have weighed on firms' plans for investment.
- Stock building is costly, and firms can reduce those costs by minimising the period for which goods are stored.

However, it is important to recognise should that 1% of lost growth continue into the medium term it would have significantly greater impact on the public finances than the one off total cost of the divorce settlement.

The government's own **analysis** forecasts that a no deal Brexit would reduce UK GDP by 7.6% after 15 years, while reaching a free trade agreement (FTA) with the EU would lead to a 4.9% decline.



There is a degree of consensus among economists that Brexit will make us worse off. The disagreement is mainly over the degree of impoverishment. The exception is work by Economists for Brexit who have predicted a long term gain of 4% GDP. The group led by Sir Patrick Minford have used an economic model, the Liverpool Model, which relies on certain underlying assumptions, including:

- The UK unilaterally abolish all its import tariffs and simply pay the tariffs imposed by other countries on UK exports.
- Prices paid by UK consumers for manufacturing and agricultural goods would fall by 10 per cent.

Other economists have critiqued this view saying that no industrialised country has ever implemented full unilateral liberalisation, principally because then would be no incentive for other countries to agree a trade deal.

The model predicts that the policy would cause the 'elimination' of UK manufacturing and a large increase in wage inequality. Standard economics would suggest there could be some gain from trading under WTO rules with no tariffs by comparison with trading under WTO rules with tariffs, but it would be marginal and overall the impact of Brexit on household incomes would still be negative (-2.3% rather than -2.6%).

Plymouth has a gross disposable household income per head of £15,515, 79.5% of the UK average, so that even under the more optimistic Economists for Brexit model the average Plymothian would be £356 per year poorer and using the Government's figure of 7.6% of GDP the loss of growth to the local economy would be of the order of £400m by 2035.

Net payments to the EU budget currently amount to 0.4% of UK GDP. This could be redirected to fund greater UK public spending, however the UK may have to continue to contribute to the EU budget in return for a closer relationship.

In the longer term food prices may rise as a result of tariff and non-tariff measures on agriculture and food and the ending of farm subsidies. Food price rises impact disproportionately on low income families and older people for whom they represent a larger share of household expenditure.

We anticipate structural unemployment as employees displaced from negatively impacted industries will not necessarily have the skills to meet the demands of those experiencing more positive growth conditions. This could be exacerbated by the loss of skills funding much of which is underwritten by EU funds.

EU FUNDING AND THE SHARED PROSPERITY FUND UKSPF

Overall European Structural and Investment Funds (ESIF) are worth £5.3bn to the UK over the period 2014 to 2020. In December 2017 the EU/UK negotiating teams agreed in principle that the UK would continue to have access to EU funds until the end of this funding cycle in 2020. The draft withdrawal agreement between the UK and the EU published in March 2018 anticipates that the UK will continue to participate until programmes end in 2023.

According to government estimates EU funding from ESIF and other funding streams is worth €1.495bn to the South West region, nearly 20% of the UK total. However this figure is significantly inflated by the allocation to Cornwall which alone in England has 'less developed' status. The allocation of EU Structural Funds to the Heart of the South West LEP area of which we are part is a more modest £120m. There are currently no open programmes in the Heart of the South West but the European Social Fund has provided £26m across Devon through the 2014 – 2020 funding cycle.

Within these figures it is quite difficult to establish the total allocated amount from which Plymouth benefits as many projects are funded on larger geographies and the distribution of funds applied to Local Authority geographies are generally not specified. Nevertheless funding allocated on this basis may still significantly benefit the City whether through the direct allocation of funds or through some other benefit within the project.

Current ERDF funded projects deliver business support and growth, develop social enterprises as well as provide support for new business start-ups and exporters. Another initiative enables businesses to work with the University of Plymouth's electron microscopy centre. The city's residents also benefit from skills development and training opportunities through EU funding.

Treasury guarantees to honour EU funding commitments regardless of the outcome of the trade negotiations have been given in relation to all activity funded through the EU budget for 2014 to 2020. This will apply to all programmes in delivery before the transition period ends, some of which may continue as late as 2024. However as yet we have no details of the proposed UK replacement for either EU programmes; the Horizon research and development program; the Interreg program or the EU funded Copernicus programme.

The Government has said it will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund. This will be specifically designed to replace the EU programme with one that is fairer and better tailored to our economy and to ensure that the people of the UK do not lose out from the withdrawal of EU funding. Within the overall figure £500 million of the UK Shared Prosperity Fund will used to give disadvantaged people the skills they need to make a success of life.

A recent letter from the Co-Director, Local Government and Communities at the Ministry for Housing, Communities and Local Government recognises the importance of reassuring local areas on the future of local growth funding and of providing clarity on the UK Shared Prosperity Fund. We are advised that the UK Shared Prosperity Fund will be driven by domestic priorities and that as a minimum, it will match current levels of funding for each nation from EU structural funds. The Government has been clear that a final decision about the design of the fund will follow a cross-governmental Spending Review.

Where other budget lines are clearly aligned to the aims and objectives of the UK Shared Prosperity Fund (UKSPF) it might be appropriate to 'roll in' these funds. However, there is a risk that these might be used to maintain the overall value of the UKSPF at the current ESIF level leading to a net cut in the overall value of funds. Rolling other funds in may help to avoid projects having to satisfy multiple funders' requirements. However, if other budget lines are rolled into UKSPF any requirement for match funding would need to take into account the limited availability of alternative sources.

ESIF funding aims to support regeneration of disadvantaged areas and ultimately eradicate structural disparities between regions and improve cohesion. It is important that the future mechanism to allocate funds is also sensitive to sub-regional economic geography to ensure that less prosperous areas continue to receive the level of funding that their specific needs require.

On 25th November 2020 the Chancellor of the Exchequer announced that funding for the UK Shared Prosperity Fund (UKSPF) will ramp up so that total domestic UK-wide funding will at least match receipts from EU structural funds, on average reaching around £1.5 billion per year. In addition, to help local areas prepare over 2021-22 for the introduction of the UKSPF, the government will provide additional UK-wide funding to support communities to pilot programmes and new approaches. There are no further details of how the Shared Prosperity Fund will be allocated.

RESEARCH AND DEVELOPMENT

The UK Government has published its Research and Development Roadmap, which sets out the UK's vision and ambition for science, research and innovation. The Roadmap restated the UK's ambition to fully associate to Horizon Europe, subject to agreeing a fair and balanced deal. In this scenario, if there were any gaps before the UK becomes formally associated, the Government would implement short-term alternative funding arrangements through proven, attractive UK schemes. It would also provide funding to UK partners who are successful in bidding to programmes open to third country participation. In the event the UK does not formally associate to Horizon Europe, the Government has stated that it will implement "ambitious alternatives" from January 2021 to address the funding gap. However, there is little further information as to what these may be.

Our research institutions across the City have historically relied heavily on EU funding for their research. The University has traditionally received up to 20% of its research income from European sources, which have supported many important collaborations in primary research strengths. In 19/20 the University of Plymouth also received 3.3m ERDF/ESIF funding. The Marine Biological Association (MBA) still has about 20% of its current research funding coming from the EU (including three ERC grants). For Plymouth Marine Laboratories (PML) this is 21.7%, but in addition there is a distinct funding stream – the Copernicus Earth observation programme, which represents c. 8% of income for PML Group.

EU staff represent 7% of total core University of Plymouth staff, predominantly in academic and research roles. The EU Settlement Scheme incorporates a simplified system to allow research mobility for UK-based academics which will enable them to take up extended placements overseas without affecting their entitlement to status. In addition, there is encouragement for the UK research community to recruit internationally via the recently introduced Global Talent Visa programme. It has been pointed out however this is a relatively expensive programme, which could represent barriers for international employees.

The Student Visa route opened on 5 October 2020. The route treats all students equally with international students. There will be no limit on the number of international students who can come to the UK to study but students will require a total of 70 points to be granted leave.

If the EU does not adopt an adequacy decision to cover the UK, EU-UK data transfers will breach GDPR and therefore could potentially cease after January 2021. The UK Government has confirmed that transfers of data from the UK to EU will not be affected. However, there is currently no guidance about transfers of data from the EU to the UK as the EU will become a "third country" for data protection purposes.

An alternative mechanism would then be required, likely to be the addition of EU Standard Contractual Clauses to a contract between the parties transferring the data. Even then EU Standard Contractual Clauses do not cover all situations, for example, where a data processor based in the EU needs to transfer data back to UOP in the UK. Currently there is no solution to this issue.

The success and vibrancy of our Higher Education institutions contribute hugely to the city's economy with student spend estimated to be worth over £120m to our local Gross Valued Added (GVA). In 2019/20 over 500 University of Plymouth students were from the EU. From January 2021 EU and EEA students will be as classed as International students and will no longer be eligible for home funding.

The impact of this is uncertain however the increase in fees[2] may lead to a reduction in EU/EEA students studying in the UK.

REGULATORY ENVIRONMENT

The EU Withdrawal Act (2017) repealed the European Communities Act 1972 and converted the body of existing EU law into domestic law. This includes relevant instruments such as EU regulations, decisions and tertiary legislation, and international agreements such as the Treaty on European Union, the Treaty on the Functioning of the European Union, the Euratom Treaty, and the EEA agreement. This means that there will be very limited change in the regulatory environment on 1 January 2021 and the European Court will remain the ultimate arbiter until that date.

The political framework which was jointly published alongside the withdrawal agreement sets out the heads of terms for the free trade agreement and contained a commitment from both sides to 'a level playing field' for future competition. Whilst negotiations are ongoing a number of points of difference remain to be resolved. These concern: -

- The role of the European Court in dispute resolution
- The extent of the rules governing state aid, and employment and environmental protection
- The right of the EU fishing fleet to continued access to UK waters

The UK Regulatory framework will gradually diverge from that applying in the EU as time goes on and in the longer term there will be an impact on legislation in particular the laws relating to employment, procurement, health and safety and the environment. The government has made it clear that whilst it remains committed to high standards, laws for the environment, products and labour standards will diverge from the EU. Prior to the last general election the position adopted by the UK government was of non-regression on existing EU regulations, implying that any regulatory framework the UK government implemented post Brexit would least the same level of protection as the EU. At the outset of the trade talks the UK government set out its negotiating position.

- The Government will not negotiate any arrangement in which the UK does not have control of its own laws and political life. We will not agree to any obligations for our laws to be aligned with the EU's, or for the EU's institutions, including the Court of Justice, to have any jurisdiction in the UK.
- The Agreement should include reciprocal commitments not to weaken or reduce the level of protection afforded by labour laws and standard. The Agreement should recognise the right of each party to set its labour priorities and adopt or modify its labour laws.
- The Agreement should include reciprocal commitments not to weaken or reduce the level of protection afforded by environmental laws in order to encourage trade or investment. The Agreement should recognise the right of each party to set its environmental priorities and adopt or modify its environmental laws.
- In neither case will the UK be bound by the Agreement's dispute resolution mechanism.
- The UK will consider a relationship in line with non-EU Member State participation with the following programmes: - Horizon Europe, Euratom Research and Training, and Copernicus. The UK will consider service access agreements for the following programmes: EU Space Surveillance and Tracking, and the European Geostationary Navigation Overlay Service.
- The UK will consider options for participation in elements of Erasmus+ on a time limited basis, provided the terms are in the UK's interests.
- To maintain the continued free flow of personal data from the EU to the UK, the UK will seek 'adequacy decisions' from the EU under both the General Data Protection Regulation and the Law Enforcement Directive before the end of the transition period.

[2] from £9250 to >£11K

The European Union's (EU) restrictions on member states' use of state aid were put in place to ensure that government resources are not used to distort competition between member states. They are largely the result of the UK's efforts whilst still a member of the EU. Such limits on state spending are unique in the world: they go further than comparable anti-subsidy rules that bind other members of the WTO or rules of other economic blocs.

The UK government said in September it will cease to follow EU rules the end of the transition period in favour of the less restrictive WTO rules. The media are reporting that the EU has dropped its demand for UK alignment and is instead asking for details of the system the UK will apply. Historically the UK has been more frugal in its use of state subsidies than other EU member states.

WORKFORCE AND SKILLS

From 1 January 2021, free movement will end and the UK will introduce a points-based immigration system. The new system will treat EU and non-EU citizens equally. Anyone you want to hire from outside the UK, excluding Irish citizens, will need to apply for permission in advance.

Under a points-based immigration system, anyone coming to the UK for work must meet a specific set of requirements for which they will score points. The Government says that the points-based system will provide simple, effective and flexible arrangements for UK employers to recruit skilled workers from around the world through a number of different immigration routes. This represents a significant change for employers recruiting from outside the UK labour market, who will need to adapt. From the first of January employers wishing to sponsor EU citizens under new immigration arrangements will need to register, a process which normally takes about 8 weeks to complete.

A route for skilled workers who have a job offer from an approved employer sponsor is included in the new points-based immigration system. From January 2021, the job you're offered will need to be at a required skill level, you'll need to be able to speak English and be paid the relevant salary threshold by your sponsor. This will either be the general salary threshold of £25,600 or the going rate for your job, whichever is higher. A total of 70 points is needed to be able to apply to work in the UK, outlined in the table below.

Characteristics	Mandatory/ Tradeable	Points
Offer of job by approved sponsor	Mandatory	20
Job at appropriate skill level	Mandatory	20
Speaks English at required level	Mandatory	10
Salary of £20,480 to £23,039 or at least 80% of the going rate for the profession (whichever is higher)	Tradeable	0
Salary of £23,040 to £25,599 or at least 90% of the going rate for the profession (whichever is higher)	Tradeable	10
Salary of £25,600 or above or at least the going rate for the profession (whichever is higher)	Tradeable	20
Job in a shortage occupation as designated by the Migration Advisory Committee	Tradeable	20
Education qualification: PhD in a subject relevant to the job	Tradeable	10
Education qualification: PhD in a STEM subject relevant to the job	Tradeable	20

Plymouth has a relatively low wage economy, in 2019, Plymouth's pay stands at 93.2% of the UK average, with a median weekly wage point of £529.9 for full time workers. This equates to an annual salary of £27,630, indicating that many of the city's full time employees will have earnings below the threshold. Some of the industrial sectors most dependent on migrant labour disproportionately employ the lower paid, e.g. hospitality and social care.

EU migrant labour represents particular skills sets in academia, advanced engineering, manufacturing, construction, tourism and health and social care. The agriculture, forestry and food sector also employs significant numbers of EU migrant workers.

The Migration Advisory Committee (MAC) advised in September that a number of occupations should be added to the Shortage Occupation List (SOL). These included senior care workers and nursing assistants, butchers, bricklayers and welders, where there is clear evidence of staff and skills shortages which could be filled by overseas workers. However, the Home Secretary responded to the advice in October with the Government deciding not to immediately accept any of the recommendations.

At least in the short term COVID 19 is likely to mitigate the labour market pressures associated with a reduced ability to recruit and retain EU migrant workers. We may be less reliant on EU migrant labour in sectors we have previously considered vulnerable. Structural factors may however still impact on sectors with a higher skills entry requirement.

- The Human Health and Social Work Activities sector scored the highest numbers of job postings in October at 364. Recruitment in the health and social care sector was already problematic before the referendum and in 2018, IPPR projected that the UK will need to have recruited and trained 1.6 million low-skill health and social care workers up to 2022.
- The Professional, Scientific and Technical Activities job sector had 150 job postings in October. Our Higher Education sector feel they may need to offer a pay premium to attract the best talent internationally and remuneration packages for international staff are likely to increase.
- The Manufacturing sector had 152 job postings in October. Plymouth has a strong advanced manufacturing sector and has the highest concentration of manufacturing and engineering employment of any city in the South of England and there is a large EEA worker presence.
- Whilst we have been 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.

From January 2021, the Global Talent route will open to EU citizens on the same basis as non-EU citizens. An employer will not need to be a Home Office licensed visa sponsor to employ a migrant under the Global Talent route. This route is designed to attract recognised global leaders and promising individuals in science, humanities, engineering, the arts and digital technology. Scientists and researchers can benefit from a quicker endorsement process as part of a fast track STEM scheme however this is a relatively expensive programme.

The EU settlement scheme is designed to offer EU, non-EU EEA and Swiss citizens and their eligible family members living in the UK before the end of the transition period (during which free movement continues) the opportunity to protect their residence in the UK after the transition period has ended.

National figures for September indicate that of over 3.8m applications have been received to date, 56% have been awarded settled status and 42% have been awarded pre settled status, meaning that they are expected to receive settled status once they reach the minimum required period of 5 years of residence. Local figures for the quarter ending in September are now available and at that time of an estimated 10 -13,000 such citizens currently resident in our City, 8,040 people had applied.

Since 2011 we estimate an additional 5-6,000 EU migrant workers have taken up residence in the City, there is anecdotal evidence that many will have limited English language skills, e.g. local food packing industries employing bi lingual supervisory staff. One particular impact that may help to explain the relatively low take up of the EU settlement scheme locally is that the Home Office only offer limited advice and support in community languages. Of course many of our EU migrant workers are bilingual which is of particular benefit to the hospitality industry where they are common in supervisory roles.

PORTS AND BORDERS

Plymouth has clear ambitions to provide world class border facilities and is determined to play a part in the Border Delivery Group Future Borders programme, however as a port Plymouth is exposed to additional impacts that will not be experienced in other Local Authority areas.

Government departments have been working to design customs and other control arrangements at the UK border in a way which ensures goods can continue to flow into the country and won't be delayed by additional controls and checks. Plymouth Port Health Authority has received some funding to assist with the preparations for Brexit from the Food Standards Agency and DEFRA.

The United Kingdom (UK) will operate a full, external border as a sovereign nation and controls will be placed on the movement of goods between Great Britain (GB) and the EU. Because the risk is not expected to change on day one, no new controls are envisaged in relation to imports of high-risk food and feed with the exception of catch certificates for fishery product. To maintain high levels of food safety, the UK will require importers of high-risk food and feed to pre-notify the Food Standards Agency (FSA) of imports from the EU.

The UK Government has taken the decision to introduce the new border controls in three stages up until 1 July 2021. The processes for moving goods between GB and the EU from 1 January 2021 onwards, including processes to be introduced in April 2021 and July 2021 are set out in the Border Operating Model outlined in a report by the Border and Protocol Delivery Group.

- From January 2021, we will be expected to issue Catch Certificates and to meet requests for Export Health Certificates, which we estimate will increase by 300%.
- From April 2021, we are required to make documentary checks on products of animal origin entering the port. A quarter of the freight entering the port is likely to require a check.
- From July 2021, we are required to operate a fully staffed Border Control Post to undertake documentary and physical checks on products of animal origin entering the port.

The key categories of goods, including animal products, fish, shellfish, high risk foods, live animals, germinal products, plants and the processes required are summarised below.

- Importers and exporters will have to complete UK and EU customs declarations after the end of the transition period
- Importers will need to ensure that any customs duties applicable to their goods under the new UK Global Tariff are paid
- VAT will be levied on imports of goods from the EU, following the same rates and structures as are applied to rest of the world. VAT registered importers will be able to use postponed VAT accounting.

From 1 January 2021 traders will be able to move goods into the UK customs territory under the Common Transit Convention (CTC). The requirements for moving goods under the CTC are not significantly altered by the staged introduction of import controls.

In October the Government updated the Border Operating Model to:

- Include the intended locations of inland border infrastructure. The sites will provide the necessary additional capacity to carry out checks on freight.
- Announce that passports will be required for entry into the UK from October 2021 as the Government phases out the use of EU, EEA and Swiss national identity cards as a valid travel document for entry to the UK.
- Confirm, after extensive engagement with industry, that a Kent Access Permit will be mandatory for HGVs using the short strait channel crossings in Kent. The 'Check an HGV' service will allow hauliers to check if they have the correct customs documentation and obtain a Kent Access Permit.

Although Plymouth Port Health Authority is not expecting extra port checks (except catch certificates) on imported food and feed from day one, Environmental Health Officers and Trading Standards Officers will be expected to continue to check traceability, food safety and product safety during routine food hygiene inspections and investigations inland.

There will be a significant increase in requests for Export Health Certificates to accompany food being exported from Plymouth based exporters and the fish quay. The export certificates themselves will be calculated at full cost recovery, however, the resource required to issue them will have an impact on the Food Safety team. There will be increased demand for business advice concerning imports and exports of goods.

HMRC EXCISE AND VAT

The Taxation (Cross-border Trade) Act 2018 will allow the Government to create a standalone Customs regime by ensuring that, among other things, the UK can:

- Charge Customs duty on goods and define how goods will be classified.
- Establish a new UK tariff and set out additional tariff-related provisions.
- Set and vary rates of Customs duty, specify where goods are subject to quotas and where goods are relieved from duty, or suspend duty at import in certain circumstances.
- Implement arrangements to establish a customs union between the UK and another territory or country.

The Act provides for amendment of existing VAT and excise legislation whatever the outcome of trade negotiations with the EU.

MILLBAY, ABP AND BRITTANY FERRIES

Plymouth is the only operational roll on roll off ferry terminal in the South West region and as such it is very important to the agrifood and fisheries businesses which proliferate across the South West, Brittany and Spain. If Plymouth does not have a Border Control Post (BCP) high risk EU food, the meat, fish and dairy produce that is currently imported through Plymouth will need to be diverted. Without a BCP we would have to turn away high risk freight and we could struggle to attract new freight business. This would put our continental trade routes, which are of strategic importance to us and the wider region, at risk.

If Plymouth was to become a Border Control Post, there would be potential to attract new business, and to relieve pressure on South East ports by accepting high risk cargo at peak times. Associated British Ports (ABP) are planning terminal improvements and have submitted a bid to the Port Infrastructure Fund (PIF) which covered all work being carried out within the port which is eligible for funding. These works will include facilities for a Border Control Post (BCP) to ensure we are able to carry out necessary inspections of freight transiting the port from July next year.

Because of COVID, the normal winter shutdown of the ferry service will be extended for two and half months. This means that there will be no sailings to, or from, Plymouth from the end of October 2020 until 22 March 2021. In spite of the ongoing impact of COVID 19 Brittany Ferries are planning for a bounce back of their passenger service next March and will from that date be doubling the capacity of their Plymouth to Santander Route and operating a full passenger service across their fleet.

Given the decision of Brittany Ferries to suspend sailings to and from Millbay we do not anticipate needing a lorry park. The hiatus in services means that we will have no immediate need and hauliers will have had three months to become accustomed to the new border control requirements by the time services resume in March.

SUTTON HARBOUR – FISH QUAY

Our fish quay is of national importance and its operators Plymouth Trawler Association already have an annual turnover approaching £20m. Its electronic auction facilitates the sale of fish landed across the SW peninsula as well as our significant local fishing fleet. From the 1st January next year the UK will regain sole control of its international waters and it is anticipated our fishing fleet will receive a larger share of the allowable catch.

As with everything else about Brexit uncertainty is a major issue and the outcome for fisheries remains unclear. However, 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.

The government has recently sought views on new measures to boost the UK's fishing industry.

The package of consultations sought views on:

- A strengthened 'economic link' for English licensed fishing vessels to help ensure genuine economic benefits for coastal communities - including plans for an increased landing requirement of 70%.
- Further proposals on how England's share of those new opportunities would be distributed across the English fleet to benefit our coastal communities' hard working fishermen and women.

We were afforded very limited time to consider the economic link proposals (especially bearing in mind that it has been under review by Defra for several years) and we argued that it will be important that the Government provides further opportunity to consider how the economic link condition can most effectively be strengthened.

The Government's analysis of the link conditions and the yield to the UK when vessels land and sell most or all their fish abroad indicate that the UK has been receiving a very poor deal up to now. Local fishermen and coastal communities have seen little benefit compared to the value of the fish sold by vessels that land most of their fish outside the UK. We agreed, therefore, that the economic link does need to be strengthened in ways that will bring greater economic benefit to coastal communities. Landing more fish in the UK because of a change in the rules, will not of itself produce a major uplift in the economic return from our fish stocks.

In relation to quota allocation and management Plymouth is one of the three major fishing ports in England. The industry makes an important contribution to the local economy, it is part of our social fabric and we are proud of our fishing heritage. We have published a draft Plan for Sustainable Fishing, safeguarding the industry for the future within the Plymouth and South West Devon Joint Local Plan and, throughout the Covid-19 pandemic, we have made every endeavour to help the industry receive all the support it requires.

The consultation paper on quota allocation and its two associated consultation documents explore and invite views on a range of important and complex issues. It is disappointing, therefore, that so little time has been allowed for adequate consideration and proper consultation. When allocating quota for 2021 the Government should recognise the hardship being experienced by local fishermen and ask that the Government provides opportunity for further and fuller engagement next 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. These shortcomings will become even more evident if as expected the catch increases significantly.

With this potential 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.

Converting an increased quota into a viable economic concern requires suitable landing facilities, an efficient processing and distribution system and access to markets at which it can be sold to its eventual consumers. There will be significant challenges to overcome and we will need to: -

- Consider the development needs of our fishing fleet, modernising boats and equipment and ensuring we recruit and train the fishermen of the future
- Upgrade our landing facilities at Sutton Harbour to cope with the greater volume of fish to be landed and processed for sale
- Ensure our production and distribution facilities are ready and able to handle higher volumes
- Identify new markets especially if access to EU markets is more restricted in future

CATTEWATER HARBOUR

Cattewater harbour is the main port of entry serving the South West region with fuel and as such is considered a strategic port for civil contingencies purposes. The largest proportion of our goods traffic, principally dry bulk goods and petroleum, comes into the port via the Cattewater wharves. The dry goods include some animal feed products and whilst the volume is high at around 100,000 tonnes per year most is not considered high risk.

Currently 80% of the 2.5m tonnes of goods that pass annually through the harbour consist of traffic to, and from, the EU. Available intelligence to date suggests that Plymouth currently receives very little cargo that has originated from outside the EU at the port. There is potential for considerable growth in international trade and the harbour commissioners are actively pursuing new contracts.

The Heart of the South West LEP is considering a bid into the anticipated free port offer from Government. We have been exploring with them the potential benefits it might offer in terms of retaining businesses that conduct a significant amount of trade within the EU single market, as well as possibly acting as an incentive to attract new enterprises and FDI. We responded jointly with them in July this year to a government consultation and the outcomes from this were recently published. Some of the proposed criteria mitigate against the plans we had discussed in principle and we are proposing to seek clarification around these points.

BUSINESS CONTINUITY

Civil contingencies planning is focussed on the potential immediate impacts of leaving the EU and coordinated across the sub-region by the Local Resilience Forum with assumptions based on a reasonable worst case scenario (RWCS) and the latest advice from the Ministry of Housing, Communities and Local Government Resilience and Emergencies Directorate.

We are encouraging a joined up approach given the ongoing need to respond to COVID 19 and we will use the same internal arrangements to cover all emergency planning issues which may arise. We have staffing in place to maintain a (virtual) Brexit Office until 31 December 2020 and we are deploying additional Civil Protection resources to support a review of our own business continuity arrangements.

Disruption of supplies and services:-

- Medicine/medical supplies – government has recommended stockpiling 6 weeks supply.
- Food, including animal feed – less choice and higher prices which may affect low income groups.
- Fuel supply – unlikely to be an issue locally
- Surges in demand – very unpredictable given the potential for a COVID lockdown or extreme weather conditions to coincide.
- Other supply chain stock shortages or a reduction of a flow in goods or a reduction in choice are very likely due to delays in transit for any goods crossing the short straits.

Other factors the LRF will keep under review.

- Travel - possible traffic disruption on major routes or at specific locations.
- Borders - possible passenger/freight delays at airports or seaports.

- Information and data sharing - disruption in the flow of personal data.
- Demonstrations and disorder - increased activity of public gatherings and/or public disorder.
- Community tensions: conflict related crimes and community impact assessments.
- Business continuity issues relating to the above.

Our food security group will continue to monitor prices. In September national intelligence suggested that we could see increases in food and ingredient costs of up to 20% along with seasonal shortages of some items. We have been monitoring prices and to date we have only seen small average increases of around 1.76%, although some individual staple items have risen by around 10% to 12%. The impacts on prices from Brexit are unlikely to be felt until post-January when the transition period ends.

Medical stockpiles built up over time to respond to Brexit may in some operationally critical aspects have been exhausted by our COVID 19 response. The Government has awarded £76m to UK ferry companies to ensure there is sufficient capacity for medical supplies and to ensure goods of strategic importance to the UK economy. We will give further consideration to these risks as part of our Business Continuity Review.

Our capacity is very stretched around communications due to the ongoing demands of COVID and normal business but we will review and update our web pages with advice as we identify capacity.

PART 2 – BUSINESS ENGAGEMENT

REGULAR ENGAGEMENT

Plymouth Business Brexit Group (PBBG) was established following a resolution of Plymouth Area Business Council to provide a forum for the Plymouth Business Community and Plymouth City Council (PCC) to work together to ensure that Plymouth does not just survive Brexit but continues to deliver our vision to be 'one of Europe's most vibrant cities, where an outstanding quality of life is enjoyed by everyone'.

There have been seven meetings of the group since it was established in September 2019, five were held in the run up to the October 2019 deadline for the withdrawal agreement to be agreed by Parliament, and two have been held as we approach the end of the transition period. Membership of the group is by invitation and delegates are chosen for their ability to provide intelligence in relation to specific industrial sectors, a full list of members is appended.

The group is not be formally constituted as a legal entity and has no legal powers or budget. It is recognised as the main business advisory group to Plymouth City Council in the context of Brexit, and, through its community leadership role, to its statutory partners and partnerships such as the Local Resilience Forum.

A special meeting of the group was convened on the 25th November to respond to the request of the Council's Brexit, Infrastructure and Legislative Change Overview and Scrutiny Group. The group considered 4 themes within which several prompt questions were asked.

Trade

Q - Are you currently trading in Europe?

All those present conducted trade on some level with the EU, some had made arrangements to incorporate a subsidiary in the EU or to come to a reciprocal arrangement with a European partner. The Chamber's international trade team had noticed a bounce back to pre-COVID levels of trade. The Federation of Small Business (FSB) reported that small exporting businesses find it easier to trade with the EU because of the shorter distances in involved, however their members actually conduct a higher value of trade with China (£1.5m) than the EU (£893,000) and 29% expect to export less from the impact of Brexit.

Q - Do you rely on any supply chains that extend into Europe?

Most had some degree of reliance on supply chains into the EU, if not directly then because their suppliers were in turn relying on a supplier within the EU. Those that relied most heavily on a supply chain that extended into the EU were most concerned about the constraints and hold ups at ports and paperwork. A further concern was their ability to get engineers and parts in and out to where they would be needed.

Q - Do you currently trade, or plan to trade, with any countries that will be covered by Trade Agreements from 1 January 2021?

Nobody specifically mentioned any of the countries covered by rolled over trade agreements, the overwhelming concern was to maintain current trading links with Europe. As well as the more obvious trade in goods there was a significant concern about tourism and that international competitors were much better supported to attract UK visitors than the UK was to attract international visitors. At present COVID 19 is preventing much international travel however in the longer term the confusion around entry requirements and visas is expected to have an impact as was the reintroduction of roaming charges

Reference was made to the ROPAX model which the Ferry companies have operated for years/ This allows them to bring freight into the country cheaply but relies on tourism to work, so that any impact on the tourism market would also have a knock on effect on the freight market. The lack of port infrastructure for testing was also flagged as a concern.

Workforce and skills

Q - Are you experiencing any difficulty recruiting appropriate staff?

Of those present only the tourism sector reported any difficulty in recruiting staff, the points based system was felt to be an issue as many of the workers in the visitor based economy do not meet requirements. It was noted that there was a significant EU workforce in manufacturing but the sector representative was not present to comment.

Q - What proportion of your workforce is from the EU?

No response was given that would specifically inform this question although several of those present did employ EU staff.

Q - Have you recruited EU migrant workers in the past?

No response was given that would specifically inform this question although several of those present did employ EU staff.

Q - Are you likely to be recruiting next year?

Tourism was the only sector that thought they certainly would as they want to continue to encourage workers long term from the EU to work over here.

Regulatory Frameworks

Q - Do you feel you understand the Border Operating Model?

It was clear that those most affected had a clear understanding of the changing requirements. One talked about how importing EU timber regulations into UK law had unconsidered impacts as it transferred the burden of due diligence from their supplier in the EU to a UK supplier. It also put more responsibility onto UK based exporters to be clear that their products are compliant with EU regulations. There was a feeling that most businesses had not grasped that the changes are happening regardless of whether or not there is a trade deal.

Q - Can you access technical advice and support?

The Chamber was concerned about the capacity of the system to provide advice and support and felt there could be a shortfall of customs advisors which are the centre plank of the Government's strategy. It was felt that Government plans to recruit more trade advisors lacked credibility. There was a shortage of expertise within the UK, given that the largest proportion of our trade was previously done within the single market, or with countries covered by EU trade agreements.

Q - Do you have any data held outside the UK?

There was not much discussion about this but it was felt there was a need for more specialist advice around the topic. Two participants did note that they had to reregister domain names in the EU, which they had used previously without needing to do so. This prompted a comment that there was a similar issue around trademarks.

Business investment

Q - Do you have plans to invest in your business over the next 12 months?

Nobody mentioned any plans to invest over the coming 12 months. Plymouth City Council's Investment Manager however felt that the Foreign Direct Investment (FDI) pipeline remained buoyant despite the slight fall in value over the preceding 12 months and was not picking up anything about vulnerability in dialogue with foreign owned companies.

Q - Is any of this investment from outside the UK (FDI)?

One company reported receiving FDI recently but felt that future investment would be home grown. Another company advised that their investment decisions were made 5 years ahead and that the decision they had taken to invest in new plant that had just come to fruition would probably not have been made if they had known about Brexit and COVID 19 at the time.

Q - Are you currently receiving any EU funding?

Nobody discussed receiving any EU funding although we do know that at least one has advised us in writing that they are currently receiving a significant level of research funding.

General Questions

Q - How well do you feel prepared for the end of transition?

Those present felt generally well prepared for an outcome with a trade deal but there were too many unknowns to be confident about being fully prepared for an outcome that did not include a deal. There was a feeling that it was too late in the day to be any better prepared for a no deal outcome and that uncertainty about regulatory issues such as an open skies agreement, visa free access and data adequacy hindered business preparation.

There was huge concern about the economy and the Bank of England Governor saying that no deal Brexit would be worse than COVID 19. One attendee reported seeing a lot of clients trying to ensure they have a ‘cash pile’ or arrangements for credit with banks. One commented that Plymouth Manufacturing Group had been the missing link today, and felt that if tariffs were introduced some industries e.g. manufacturing would be decimated.

There was a feeling that there was an opportunity to make more out of the port as a regional opportunity for export, displacing business from the South East ports, and that fishing was a key part of this. It was also a big risk as there was a genuine concern about militancy amongst the French fishing fleet who were very unhappy about having to give up quota.

Q – What specific asks were there of Plymouth City Council, would a single point of contact be welcomed by business?

How we communicate to business on what comes out over the next few weeks will be important. The concern is not larger organisation who have done the preparation, more so the smaller businesses who don’t even know the questions. It is difficult trying to explain to people what they don’t know they need to know.

The best possible signposting we can to connect with the best possible business support. We should consider funding business support organisations to give the advice as they already have the contacts.

There is an opportunity to put together a menu with things they need to think about, e.g. GDPR, intellectual property etc. A list of 30 things that will be impacted which they can start thinking about.

Support specialists to give mutual support to each other there is potential for Chamber to work with the Department of Trade and Industry to run specialist seminars.

Appendix 1- Trade Agreements that have been signed

Agreements with the following countries and trading blocs are expected to take effect when existing EU trade agreements no longer apply to the UK, from 1 January 2021.

Country or block	Total UK trade with countries, 2019 (£ million) (1)
Andean countries (2)	2,904
CARIFORUM trade bloc	3,243
Central America	1,441
Chile	2,148
Côte d'Ivoire	401
Eastern and Southern Africa (ESA) trade bloc	1,626
Faroe Islands	295
Georgia	178
Iceland and Norway (3)	26,834
Israel	5,125
Jordan	534
Kenya (Agreement in principle) (4)	1,439
Kosovo	9
Lebanon	820
Liechtenstein	122
Morocco	2,472
Pacific states	178
Palestinian Authority	11
South Korea	11,659
Southern Africa Customs Union and Mozambique (SACUM) trade bloc	12,121
Switzerland	38,579
Tunisia	611
Ukraine	1,533

Appendix 2- Trade agreements still in discussion

The following agreements are still under discussion with countries where there are existing EU trade agreements in place.

If any agreement is not reached by 31 December 2020, trade with other WTO members will take place on WTO terms.

Country of bloc	Status of discussions
Albania (Western Balkans)	Engagement ongoing
Algeria	Engagement ongoing
Bosnia and Herzegovina (Western Balkans)	Engagement ongoing

Cameroon (Central Africa)	Engagement ongoing
Canada	Engagement ongoing
Egypt	Engagement ongoing
Ghana (Western Africa)	Engagement ongoing
Mexico	Engagement ongoing
Moldova	Engagement ongoing
Montenegro (Western Balkans)	Engagement ongoing
North Macedonia (Western Balkans)	Engagement ongoing
Serbia (Western Balkans)	Engagement ongoing
Singapore	Engagement ongoing
Turkey	Engagement ongoing
Vietnam	Engagement ongoing

Appendix 3- Mutual recognition agreements

The UK has signed MRAs that replicate the effect of existing EU arrangements. These are expected to take effect from 1 January 2021. The withdrawal agreement allows for the EU's arrangements to continue to apply to the UK until then.

The UK has signed MRAs with: **Australia, New Zealand, United States of America.**

https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries

MRA coverage in trade agreements

- The UK's trade agreement with Switzerland incorporates elements of the EU-Switzerland MRA.
- The UK's trade agreement with Israel covers conformity assessment of industrial products. This means that existing arrangements with Israel will continue after 31 December 2020.
- The UK-Japan CEPA replicates the effects of the existing EU-Japan MRA.

Appendix 4 - Members of Plymouth Business Brexit Forum

- Devon & Plymouth Chamber of Commerce (Chair)
- PCC - Enterprise & Inward Investment Manager
- PCC – Brexit Lead
- Marine – Princess Yachts
- Marine research – Plymouth Marine Laboratory or Marine Biological Association
- Manufacturing – Plymouth Manufacturing Group
- Medical/Science – Plymouth Science Park
- Tourism – Destination Plymouth
- Creative – Plymouth Design Forum
- Business Services – Womble Bond Dickinson
- Labour Market/Skills – Talem Recruitment Group
- Small business - Federation of Small Business
- Shipping – Brittany Ferries
- Construction – Building Plymouth
- Fishing - Plymouth Trawler Agents
- Digital – Digital Plymouth