

PLYMOUTH CITY COUNCIL

Subject:	Brexit Infrastructure and Legislative Change Overview and Scrutiny Committee
Committee:	Cabinet
Date:	13 November 2018
Cabinet Member:	Councillor Jon Taylor (Cabinet Member for Education, Skills and Transformation)
CMT Member:	Giles Perritt (Assistant Chief Executive)
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Ref:	Your ref. Brexit/Cabinet 002
Key Decision:	No
Part:	I

Purpose of the report:

The report provides Cabinet with an interim position statement on the Brexit work undertaken by the Brexit, Infrastructure and Legislation Overview and Scrutiny Committee (BILCO).

BILCO has met on 3 occasions since it was established in June 2018.

- In June 2018 BILCO considered an overview of Brexit, covering the key risks and opportunities for the City, and a report on Fishing and Fisheries. BILCO agreed its work programme for 2018/19 based on the identified risks and established a select committee review of fishing and fisheries
- In July 2018 BILCO focused on skills shortages that might emerge following the UK's withdrawal from freedom of movement arrangements, hearing evidence from Plymouth Manufacturing Group and Destination Plymouth.
- The Select Committee review of Fishing and Fisheries was held in August 2018, Cabinet received a report covering the outcomes and recommendations on the 5 September 2018. The Committee submitted its response to the Department for Food and Rural Affairs consultation, "Sustainable Fisheries for Future Generations on 12 September 2018.
- In September BILCO considered the implications of Brexit for the City's Higher Education institutions, hearing evidence from the College of St Mark and St John and a written submission from the University of Plymouth.
- It also noted a letter from the Leader Cllr Tudor Evans to the Minister for Housing, Communities and Local Government, the Rt Hon James Brokenshire MP, invoking sections of the Sustainable Communities Act 2007

BILCO has two more sessions scheduled in its work programme for 2018/19. In November 2018 the focus will be on European Funding and the Government's proposed replacement, the Shared Prosperity Fund (SPF). Following a recent meeting with the Permanent Undersecretary of State for the Department for Exiting the European Union (DExEU) attended by BILCO Chair Cllr Jonny Morris, we anticipate a white paper on the SPF before the New Year. In January 2019 BILCO will consider Brexit impacts on Community Cohesion and the implications of a 'No Deal' Brexit.

Corporate Plan

Our analysis suggests that Brexit has implications for our City Vision, and more specifically around the themes of jobs and skills, levels of investment, future infrastructure needs, inclusive communities and Plymouth as a destination.

BILCO supports our value of being democratic by ensuring that 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. It supports our Growing City priorities of quality jobs and valuable skills and economic growth that benefit as many people as possible, and the city's international profile which is a vital element to achieving our ambitions.

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

Even with the Council's commitment to the foundation living wage, recruiting sufficient adult social care staff continues to be problematic. The Institute for Public Policy Research (IPPR) calculates that around 6 per cent of people employed in social care are European Economic Area migrants.

The Migration Advisory Committee (MAC) argue that this problem is not immigration related and they do not recommend any special measures to alleviate pressures in the public sector. They consider that the payment of higher wages would resolve the problem and the funding of adult social care to be outside their remit.

If contracts fail the Council would be obliged to intervene to maintain statutory service delivery. Given financial constraints, increasing contract rates to reflect the pressure on contractors to increase wage levels above the foundation living wage rate would constitute a strategic risk in the context of the MTFS.

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

- Child Poverty – No specific impacts are noted however if Brexit has the effect of reducing economic growth as a majority of economists predict there could be knock on impacts on child poverty.
 - Community Safety – BILCO will consider community cohesion issues in January 2019.
 - Health and Safety – None directly arising from this report.
 - Risk Management - A copy of the Council's Brexit Risks and Opportunities Register is appended to this report.
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Equality and Diversity

Has an Equality Impact Assessment been undertaken? Yes

Recommendations and Reasons for recommended action:

- I. Cabinet thanks the Councillor members of BILCO for their diligent consideration of the potential impact of Brexit on the City.

2. Cabinet resolves to write to the representatives of Plymouth Manufacturing Group, Destination Plymouth, The University College of St Mark and St John and the University of Plymouth thanking them for giving their time and expert opinion.
3. Cabinet notes the progress made in implementing the recommendations it endorsed in September in relation to the Fishing and Fisheries Select Committee.
4. Cabinet endorses BILCO's recommendations in relation to the impact of Brexit on Higher Education with the amendments noted below.
 - 4.1 to ask the Government to:
 - (a) **clarify the status of EU citizens in the UK in the event of a 'no deal Brexit;**
 (Accepted) Reason – in spite of the progress made in implementing the Settled Status Scheme for EU migrants who will have 5 years residence in the UK by December 2020 there is still a lack of clarity in how this will be operated in the event of a 'no deal' Brexit.
 - (b) **Take international students out the net migration figures and give an assurance that changes to immigration rules and visa requirements will not limit the ability of universities to attract and recruit world leading researchers and teachers;**
 (Accepted) Reason – International students contribute an estimated £120m annually to our local economy. The Migration Advisory Committee (MAC) report on International Students recognised that although international student numbers have risen in recent years, the UK's overall market share has fallen slightly and competitor countries are more active in recruitment. The MAC nevertheless rejected the suggested made by many respondents to their call for evidence to remove International Students from net migration figures arguing that, "if there is a problem with students in the net migration target, it is with the target itself rather than the inclusion of students in that target". Since the government has yet to commit to removing the target entirely we support the recommendation.
 - (c) **Provide greater clarity on what the UK Shared Prosperity Fund might look like and where possible to negotiate close relations with existing structures such as Framework Programme 9;**
 (Accepted) Reason – we anticipate details of the Shared Prosperity Fund will be published before Christmas 2018. The government may instead opt to maintain access to EU funding streams post Brexit. This will be clarified in the terms of the withdrawal agreement which will need to be in place by December 2018.
 - (d) **Offer EU nationals continued access to UK research facilities and a matched funding scheme to support international collaborative research;**
 (Accepted) Reason – the future ability of EU nationals engaged in research in the UK and vice versa to access research facilities is also likely to be clarified in the withdrawal arrangements.
 - (e) **Allow us greater flexibility in how we use Adult Education and Schools funding and the residual balance of the Apprenticeship Levy.**
 (Added) We want to use the funding we already have more flexibly to improve the performance of our secondary schools around STEM subjects and to support our development of an Apprenticeship/Skills hub, e.g. each year c£2m is spent on Maths and English retakes across the City. We would like to pilot the flexible use of funds provided by the Department of Education for adult education and schools to provide additional support to pupils at risk of failure.
 - (f) **Devolve funding for further education, adult education and employment support programmes, enabling greater local control of careers' advice and guidance.**
 (Added) We have one of the most centralised employment and skills systems in the developed world. Local areas have little ability to influence priorities, funding or delivery. With over 13,000 people in our City in receipt of Employment Support Allowance we see the need for specific measures to support adults who have spent significant periods out of work through ill

health. Businesses are an essential part of the local conversation to re-engineer the education and skills landscape so that industry directly benefits from developing the local workforce.

- (g) **Higher education sector to collaborate with the Plymouth Growth Board and/or Destination Plymouth to consider how best to market the City internationally as an attractive place to study and as a destination for employers and employees.**

(Amended) Reason – the amendment locates lead responsibility with the University of Plymouth.

5. Cabinet agrees to receive a further report in February 2019, covering the work BILCO expects to undertake in November 2018 and January 2019, in the context of the Administration’s Pledge to undertake and publish research on the economic impact of Brexit both positive and negative.

Alternative options considered and rejected:

Alternatives to the recommendations were considered and rejected by BILCO and subsequently amended by the Cabinet Member for Education, Skills and Transformation.

Published work / information:

[Impact of international students in the UK](#), Migration Advisory Committee September 2018

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Brexit, Infrastructure and Legislation Overview and Scrutiny Committee, Terms of Reference	✓									
Brexit Risks and Opportunities	✓									
Fishing and Fisheries	✓									
Skills Overview	✓									
Overview of Impact on the Higher Education Sector	✓									
Written Evidence from the University of Plymouth.	✓									
Letter to Rt Hon Janes Brokenshire	✓									
Work Programme 2018-2019	✓									
Equality Impact Assessment	✓									
Brexit Risks and Opportunities Register	✓									

Sign off:

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Originating SMT Member

Has the Cabinet Member(s) agreed the contents of the report? Yes
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Foreword

The Committee's Brexit work has focused on the economic impact of Brexit on Plymouth, as the administration's pledge on Brexit has stipulated. In addition to the summary below, the Committee will also have considered the direct funding impact on Plymouth as a result of Brexit at its November 2018 meeting, and will be looking at social cohesion and emergency planning consequent to Brexit at its January 2019 meeting.

The main obstacle to the Committee's work has, at every turn, been the complete lack of clarity from the Government in its Brexit Planning, and the lack of response to the letter sent by Cllr Evans under the provisions of the Sustainable Communities Act in August 2018. This letter sought to discover information held by the Government as to the impact of Brexit on Plymouth. At the time of writing no response beyond an acknowledgment has been received, although a tweet by a local journalist claimed that the Government would not reply as to do so would be too expensive.

In light of the above, the Committee members and the officers of the Council supporting them are to be commended for their continued work in the face of a frustrating lack of precise information, especially if the United Kingdom were to leave the European Union with no deal. That said, the information gained and investigations undertaken will prove to be valuable regardless of whether the UK leaves the European Union or not, and, if it does so, under whatever deal scenario that takes place.

While the true impact of the Brexit, and the uncertainty created in the period leading up to Brexit, cannot yet be accurately determined, the evidence gathered by the Committee leaves no doubt that it will be huge, and so the Committee's recommendations have focussed on enhancing Plymouth's economic sustainability and vigour so as to be in the best position possible to mitigate any harm caused by Brexit, and to maximise any opportunities that may arise for the City, should any be identified.

Cllr Jonny Morris

Chair of the Brexit, Infrastructure and Legislative Change Overview and Scrutiny Committee

1.0 Brexit Risks and Opportunities

1.1 Fishing

1.11 At its first meeting in June 2018 BILCO resolved to hold a Fishing and Fisheries Select Committee at the National Marine Aquarium in August 2018. Cabinet received a report setting out their findings and recommendations in September 2018.

1.12 Progress has since been made against their recommendations:-

- Our consultation response to the Fisheries White Paper: Sustainable Fisheries for Future Generations was submitted on 12 September 2018.
- A bid has been submitted to the European Marine and Fisheries Fund (EMFF) via the Marine Management Organisation (MMO) that would support the employment of a Fishing Development Officer.
- Through the Local Government Association we have secured an invitation to the HMRC Border Steering Group which is seeking to support a network of key port cities.
- Key Cities have a developing agenda around ports which we are supporting.
- Progress on developing the strategy is awaiting the appointment of the Fisheries development Officer as anticipated in the recommendations.
- We will include recreational angling in the strategy when it is developed.

1.13 On 26 October 2018 the Government published a Fisheries Bill. The Bill:-

- Translates the sustainability objectives of Common Fisheries Policy into UK law and includes an objective of securing that all UK fishing boats have equal access to UK waters.
- Sets out that the future right of foreign fishing boats to access UK waters will be limited to that that may be negotiated.
- Revokes EU legislation which currently sets UK fishing opportunities and gives the Secretary of State powers to determine the UK's fishing opportunities.
- Includes a power to set up a scheme for charging English fishing licence holders that land fish in excess of their authorised quota.
- Extends the cost-recovery powers of the MMO to enable both to charge for services they provide to the fishing industry.
- Provides powers to introduce schemes of financial assistance for the fish and fish farming industries to replace the EMFF.

In addition, the Fisheries Bill introduces powers to create new schemes in England to help seize the opportunities of Brexit. These include:

- A new scheme to help the fishing industry comply with the landing obligation to end the wasteful discarding of fish, and
- Powers to tender additional English quota.

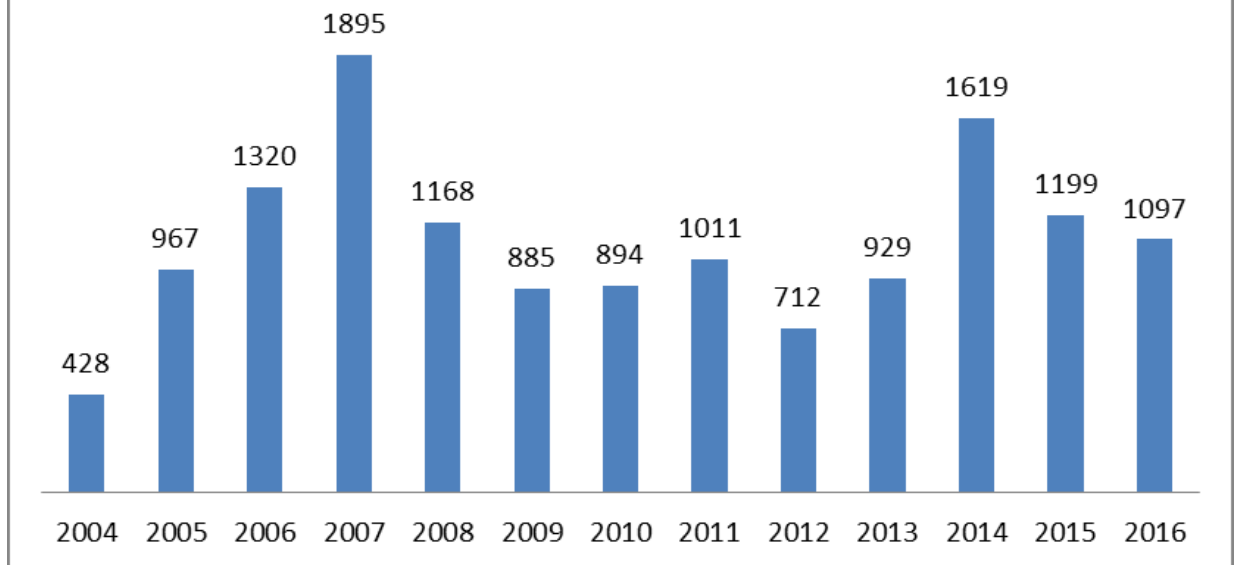
1.14 In total 34,667 responses to the consultation were received. These consisted of:

- 34,440 campaign response;- identical email responses from 4 campaigns run by Greenpeace, the Marine Conservation Society, Whale and Dolphin Conservation and the Angling Trust.
- 227 individual responses, including 10 from Local Authorities.

1.2 Labour Market and Skills

1.21 We have noted that EU migrant labour represents particular skills sets in academia, advanced engineering, manufacturing, construction, tourism and health and social care.

EU Nationals issued with NINo's in Plymouth UA area



- 1.22 Former Home Secretary Amber Rudd, commissioned the Migration Advisory Committee (MAC) to produce two reports to inform the Government's approach to immigration after the UK leaves the European Union. The MAC invited stakeholders to submit evidence. We submitted our views on EEA migration impacts and Plymouth University responded to the call for evidence around International Students in January 2018. The final reports have now been published.
- 1.23 In July BILCO received evidence from local stakeholders on the labour market and skills implications of Brexit. Whilst these broadly reflected the concerns we already had they added some details we hadn't previously considered. We have analysed the recommendations from the MAC in the context of this enhanced picture.
- Academia – whilst our Higher Education Partners will be disappointed with the recommendation not to take international students out of net migration, the removal of the cap on tier 2 migrants will go some way to address their concerns about attracting research and academic staff from the EU.
 - Advanced engineering – the proportion of international students going into STEM jobs suggests that the relaxation of transfer rules between tier 2 (work) and tier 4 (study) may help maintain the supply of graduates to meet advanced engineering needs.
 - Manufacturing – from evidence presented to the recent BILCO session we know that locally 1 in 8 jobs are in the manufacturing sector. Evidence from Plymouth Manufacturing Group given at BILCO suggested that some of our larger employers have a workforce which is up to 35% migrant labour and we know that competition for labour in the sector is already very strong. It is unlikely that the proposed extension of eligibility for tier 2 to medium skilled jobs will help given the current salary threshold and the recommendation against regional variation in the threshold.
 - Construction – we do have a pipeline through Build Plymouth but this may prove inadequate to meet need. Some professional occupational shortages may be resolved by the removal of the cap but the tier 2 salary threshold will probably be too high for trade roles despite the skills requirement. We are concerned about potential impact on our flagship construction programmes and on housebuilding.

- Tourism – skill shortages are most acute in supervisory roles, wages in the hospitality sector are low so the tier 2 route is unlikely to be available. We could potentially retrain people displaced from the retail sector if we had local control of skills priorities; we also need to meet language needs. We need to recruit around 2,750 staff to meet Mayflower 2020 demands.
- Social care - The Home Office has recently announced that there will be no restriction on the numbers of doctors and nurses who can be employed through the Tier 2 visa route. National data from December 2015 suggests that 93% of NHS trusts were experiencing staff shortages and 63% had recruited from outside the UK with EU countries being the most common source. In the social care sector, as with manufacturing, the majority of applicants come from the EU.

1.24 EU citizens who have been resident in the UK for five years prior to the end of the transition period will be able to remain and will continue to be treated as UK nationals for the purposes of benefits and entitlements subject to the requirements of the national registration scheme. The Home Office have asked us if we can:-

- Signpost residents to [GOV.UK](https://www.gov.uk) and encourage them to sign up to email updates.
- Use their [employer toolkit](#) to reassure your EU citizen staff and let them know about the EU Settlement Scheme.

1.25 There is an observable pattern across all sectors of an ageing domestic workforce and a need to adequately develop a domestic workforce with the right skill sets to replace those who are due to retire. This potential for cross sectoral demand for labour is will be somewhat mitigated by the announcement of plans to reintroduce an agricultural workers scheme. However this will not address regional factors, such as the demand for construction and nuclear workers at Hinckley Point. The current strong demand for labour is not being matched by labour supply, which has also been affected by a relatively abrupt slowing in the growth rate of EU nationals coming to the UK.

1.3 Higher education

1.31 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 GVA and supporting almost 5,000 jobs. Plymouth University alone generates more than £460 million of output for the city of Plymouth and attracts over 2,000 international and European Union students to study in Plymouth each year. Restrictions on the number of international students will have a hugely detrimental impact on our efforts to promote the city's global profile.

1.32 EU research funding and collaborations are crucial to much of the world leading research that is done at the University of Plymouth in tackling global challenges. EU funding constitutes nearly 30% of the University's research income. The current framework programme, Horizon 2020, is the largest to date, with nearly €80 billion of funding available over seven years (2014 to 2020). Its successor will be Framework Programme 9 (FP9).

1.33 BILCO received evidence form Higher Education Stakeholders at its September 2018 meeting. Their concerns included:-

- Maintaining the Excellent Reputation that UK Universities have Internationally but in more Restricted Market
- Guaranteed Protection in Place for those Currently Working in the UK and those who have been Offered and Accepted Employment during the Transition Period
- Maintain Conditions which Encourage International Students to Study in the UK and Enhance the Global Experience of UK Students
- Continued Access to EU Funding Post-Brexit

- Disproportionate Economic Consequences of Brexit may Impact on Ability of Families to Support Children at University

1.34 In the Plymouth Constituencies the number of 18 year olds going to university is at a rate lower than the national average.

- National average rate 0.322
- Plymouth Sutton Constituency: 0.253
- Plymouth Moorview Constituency: 0.223
- South West Devon Constituency: 0.307

2. **Conclusions**

- 2.1 BILCO has proved an effective mechanism for member engagement with local stakeholders around risks and opportunities that are likely to arise once the UK leaves the EU. The evidence collected through this process has enhanced our understanding of potential local pressures and contributed significantly to the delivery of the administrations pledge to publish research into the local impacts of Brexit.
- 2.2 The Fishing Select Committee that BILCO established has provided an arrow of direction for our sustainable fishing strategy and enabled us to engage confidently with government, providing a voice for our fisherman and the wider industry, not just in Plymouth but across the wider sub region. If we are to realise our ambition to provide a voice for the English fishing industry further work is needed as we have identified, and this will need to be informed by a detailed analysis of the Fisheries Bill and the consultation outcomes.
- 2.3 We identified the impact of Brexit on the local labour market early on in our assessment of risks and opportunities. BILCO has helped to reinforce the extent of the challenges we may face when freedom of movement comes to an end, in particular we have better evidence of how acute labour shortages are already impacting on our manufacturing industries, and the challenge we will face in recruiting sufficient labour to meet the demands created by Mayflower 2020. The vulnerability of our construction sector to labour shortages in key trades potentially puts at risk our Plan for Homes delivery and Capital Programme delivery. Only through taking back control of our local vocational education and skills programmes can we ensure that our resident workforce is prepared to fill the gaps in our labour force that Brexit will create.
- 2.4 Our Higher Education sector is of vital importance, not only because of the significant contribution it makes to our prosperity but also because it ensures our supply of highly skilled graduates for our marine and advanced manufacturing industries and contributes significantly to raising our international profile. We must therefore recognise the arguments our colleagues in the sector are advancing about the impact Brexit may have and add our voice to theirs in calling for the government to respond to their concerns.