Final Report for
Cherwell District Council
and
South Northamptonshire District Council

Cherwell
DISTRICT COUNCIL
NORTH OXFORDSHIRE

South Northamptonshire Council

The Local Implications of Brexit:

Considerations and Recommendations

DEYTON BELL

22nd March 2017

Contents

1. Introduction

Deyton Bell is delighted to have the opportunity to present this final report in connection with the commission to consider the Local Economic Implications of Brexit.

Deyton Bell works with public sector and economic development bodies across the world. Our expertise lies in business support/engagement, economic development, inward investment, and partnership development, with a particular interest and expertise in European project development and management. We have a blue chip track record having worked with Central and Local government in the USA, Australasia and Europe. In the UK we have worked with 25 Local Authorities and 6 Local Enterprise Partnerships, managing projects, acting in interim roles, developing and implementing strategies and plans, and initiating and writing successful European funded programmes.

Having worked with Cherwell District Council (CDC) and South Northamptonshire Council (SNC) before, we have welcomed the opportunity to do so once more, particularly in connection with such an important topic that will have such wide ranging economic impact.

2. Project Objectives

The overall intention of the project is the provision of an action plan to provide evidence and informed commentary regarding future actives for CDC and SNC to further improve their local economies. In order to provide this, we have:

- Considered the Brexit related factors relevant to the future economic success for CDC/SNC
- Commented upon what is currently known about the process towards (and beyond) Brexit and what this might mean for the economies of CDC and SNC (both positive and negative impacts).
- Provided suggestions on possible actions to maximise the opportunities and mitigate the risks that Brexit brings.
- Given alternative suggestions for actions as variable factors become clearer
- Commented upon Brexit related trade issues impacting CDC/SNC local business.
- Commented upon Brexit related inward investment issues impacting CDC/SNC local business.
- Assessed Brexit related product/service/finance implications for local business.
- Examined the implications of Brexit for sectors/supply chains of current/future importance.
- Scrutinised the current and future skills requirement of employers and the impact this may have locally upon college, university and employer delivered skills provision.
- Considered the recent Presidential election in the US and the effect that this may have.
- Presented an assessment of Brexit considerations for a local economy so the Local Government Association (LGA) can consider roll out of a similar programme more widely.

3. Executive Summary

The project methodology was for Deyton Bell to interview (face to face in all but a small number of cases) a group of stakeholders directly influential upon the economy of Cherwell and South Northamptonshire. In addition, Deyton Bell gained opinions and views from a far wider range of public and private organisation on the implications of Brexit, to compare and contrast opinions and build up a good composite picture of the current position, and potential developments and implications.

In terms of the national picture, the most obvious observation is of course that a great deal of uncertainty remains as we approach (March 2107) the Government's intended date to trigger Article 50 and start the formal negotiations for the UK to leave the European Union.

Assuming that a 'hard' Brexit results, it is fairly clear that some structures and regulations will disappear, but not what will replace them. Therefore, for Local Authorities, their wider stakeholders and business, it is difficult to second guess the full implications of Brexit, plan for these and adapt.

During the project, ten themes were identified for consideration and are detailed below.

Trade

Leaving the Single Market will almost certainly bring changes to the current tariff free situation, resulting in potentially less favourable trading conditions for British business and the need to consider different export markets. Currency fluctuations may have a positive effect, but cannot be relied upon to remain in the UK's favour.

Business confidence fell 1% in 2016 on the back of the referendum result

Business Activity

There is a risk of diminishing attractiveness of UK as FDI location to serve European Markets, or as an HQ to European operations. There could be a greater risk to British business of foreign acquisition and there could be movement of investment, jobs and activities from the UK to the EU.

The FTSE 100 and 250 have risen in value over the last 12 months (16%) partly due to larger businesses being valued in dollars

Industrial Policy and Structure

Although the new Industrial Strategy is intended to address productivity issues and any fall out from Brexit, research and development in particular is potentially at risk, as collaboration between partners and the perception of the UK as an attractive R and D destination may both be affected.

Labour Markets and Immigration

Locally the issue that is of most concern to stakeholders and, (based upon limited evidence) employers. With uncertainty about the status of existing EU migrants in the UK, and a stated intention to limit all immigration in the future, two main issues have emerged. These are; firstly the ability to attract and retain high level skills that do not exist in sufficient numbers here and secondly being able to recruit in sufficient numbers to address the needs of labour intensive industries.

> Net migration to September 2016 fell to 273,000; down 49,000 on the previous year

Financial Services

Probably not the sector that will have the biggest impact locally, but nationally important as financial services may relocate into countries remaining in the EU, and as the sector generally occupies high value property an impact on property prices and business rates will result.

Liberalisation and Regulation

The reduction of ‘red-tape’ is often cited as one of the benefits to leaving the EU. As separate trade deals may need to be established however, the complexity of trading internationally may increase. The length of time required to import EU laws into British law and then address each aspect is also likely to take a significant length of time (before any changes are noticeable).

> Up to 15 bills may have to pass through Parliament as part of the Brexit process; potentially stalling or delaying other legislation changes

Public Finances

Most commentators predict that, despite the current positive signs for growth post the referendum, longer term prospects are less positive due to assumed and investors reactions uncertainty. Locally and nationally this points to the need to take action to increase productivity to counter any downturn.

> House building numbers have fallen although overall construction has remained strong

Economic Performance, Growth and Welfare

The full economic impact of Brexit will of course depend upon the outcomes of negotiations with the EU. Significant differences on growth rates are predicted, dependent upon access to the single market and/or increase in the cost to trade. Individual Local Authority areas will be affected differently and the extent of this local impact is difficult to assess.

> The pound has decreased in value by 15% against the dollar and 12% against the Euro; increasing production cost for manufactures importing materials

EU Funds

The Government has not ruled out selective participation in some EU funding programme post Brexit, leaving the door open for participation in R and D programmes for example. In the shorter term European Social Funds are still available and an opportunity exists locally to use these creatively whilst they remain.

The cost of the UK's divorce from Europe could be as high as £52 billion with no corresponding benefits

The Challenges of Predicting the Post-Brexit World

As more clarity emerges on what Brexit really means, large business and consumers are likely to react quickly, potentially causing sudden economic effects. Local Authorities need to be fleet to foot, with business processes and models that enable them to react to these. SMEs are notoriously slow to change their business models, and will need help to do so.

Recommendations

In order for Cherwell and South Northamptonshire to address the ten themes the recommendations made include;

- Continued close working with Economic Heartland partners is essential to influence on the national stage and maximise your investment offer. Positive incentives may have to be considered to stand out amongst competitive offers.
- Promote capability, skills, and geography independently and as well as part of the Economic Heartland offer.
- Provide proactive and consistent support from council departments to business opportunities (enhanced Key Account Management).
- Work with the Department of International Trade Services team to meet the specific needs of local exporters (and potential exporters). Collaborate with the Chamber to promote existing and future support programmes.
- Consider preparing short action plans for all key employment (and possibly housing) sites, where delays have occurred; to identify blockages to plan and progress remedial actions.
- Employer engagement regarding skills programmes (particularly apprenticeships and higher apprenticeship as the Apprentice levy is introduced) will prove beneficial as the employer side of any skills equation is frequently neglected with supply side 'push' of programmes.
- Initiatives to improve the perception of some sectors (e.g. leisure and tourism) may be required in order to present them as offering careers of choice, rather than stop-gap jobs.
- Consider ERDF bidding opportunities as lead partner or delivery partner with others (facilitating partnership development) in order to;
    - Re-launch services to replace the Growth Service and Manufacturing Advisory
    - Provide services that Growth Hubs can refer to (fill gaps)
    - Facilitate University backed projects to provide placements and embed skills
    - Build business resilience in SME's and the capacity to innovate and develop new business models to address the effects of economic shock
- Carry out a further exercise to establish the current views of businesses and how they are planning to react and the help they may require
- Review business and stakeholder's views on a regular (annual) basis as the Brexit process progresses

4. Analysing Brexit

The initial part of this report outlines the potential economic implications of the EU Referendum and the UK's exit from the European Union. It is based on existing analysis. There are two significant points to make about this paper, and about appraising the impacts and consequences of Brexit generally:

1. It is very difficult to appraise the impacts of new international trade agreements, regulatory regimes, or other market conditions when there is no detailed basis to do this (including timescales). There is no firm position in terms of the UK Government's preferred future model for international trade and the market relationship with the EU area.
2. There is a lot of fairly sound analysis of the loss of current trading patterns and deals, international relations and regulatory regimes. It is also easier to quantify existing activity such as trade volumes and sales, or the contribution of a particular industry to the nation's economy.

In other words – at the moment, it is easier to appreciate the impacts of known institutions that will be lost, but all but impossible to appraise the (unknown) institutions and arrangements that will replace them. The exact nature of Brexit is currently very uncertain.

This uncertainty, on its own, is an economic risk – as business and consumer confidence does not tend to thrive on uncertainty. For this reason, it is very difficult to take a balanced view in terms of reasonably predicting positive outcomes from new trade deals or other legislative changes, and the messages tend to be, instead more negative. Over time, as the negotiating position becomes clearer, it should be possible to develop an appraisal of the impacts of this.

One of the main issues to highlight is that, based on our experience of past economic shocks and expansionary phases, the economic impacts of Brexit will not be uniform spatially – some local economies will be much more affected than others.

Summarising the local impact and implications

The next two sections of this paper (5 and 6) provide some details on 10 themes, and summarise some of the more notable studies or evidence of relevance to the impacts or economic implications of Brexit.

FIGURE 4.1: MAIN THEMES AND POTENTIAL LOCAL IMPACTS FROM BREXIT

THEME	MAIN ASSUMPTIONS/ ISSUES	IMPLICATIONS FOR LOCAL AUTHORITIES
TRADE	The EU is a major source of imports and exports for the UK. In 2013, the UK comprised one-sixth of the total value of economic output of the European Union. 10% of EU exports go to the UK; and 50% of UK exports go to the EU. UK companies are relatively upstream in global supply chains, compared to companies in other European countries. The importance of the UK in international supply chains is particularly concentrated in a small number of sectors. In terms of structural change – 50% of UK exports could potentially have to adhere to a new tariff regime, as would the significant value of EU imports into the UK. The ramifications (in terms of scale of change and new price/market dynamics) for export competitiveness, supply chains and consumer prices are potentially huge.	▪ The trading position will affect different localities depending on their industrial mix, and range of activities which businesses are engaged in. ▪ At the moment, these industries are regarded as more vulnerable: business and financial services; professional services, manufacturing, and mining and chemicals. ▪ There are also the consequences of a displacing effect of new imports on UK domestic producers (e.g. food and drink); or the import substitution effect where domestic UK producers may become comparably more price competitive due to greater tariffs on imports. ▪ Free trade is generally thought to be productivity enhancing - so an increase in barriers to trade will probably reduce the scope for productivity growth in the local economy.
BUSINESS ACTIVITY (INCLUDING FDI)	Risk of diminishing attractiveness of UK as FDI location to serve European Markets, or as an HQ to European operations. UK-owned firms become more vulnerable to foreign acquisition as valuations lower due to Brexit uncertainties and reduced value of Sterling. The potential changes to market access (to the EU), immigration and work permits, and exchange rates would be significant considerations in any future business plans, particularly for businesses operating internationally, whether controlled by UK interests or ultimately owned overseas. Changes to some business fundamentals post-Brexit would require some fairly radical and bold changes to business structures and operations.	▪ New FDI contingent upon free market access, and free movement of labour within the EU will likely decline. ▪ It is likely that, should the UK not enter a sufficient market agreement with the EU, there will be movement of investment, jobs and activities from the UK to the EU. Business activities with integrated supply chains, and that deal with large volumes of cross-border trade flow (e.g. automotive and financial services) will be hardest hit. ▪ The UK, and localities within it will have to focus on other competitive location factors (other than unfettered EU market access) to attract FDI. ▪ Industry-leading local firms will be more vulnerable to foreign acquisition. If they have valuable IP, assets, markets, or customers - they will be seen as valuable, and if sterling impacts the company valuation and makes it more attractive - this can then start to encourage takeover bids. ▪ For some businesses, it is not unreasonable to assume that changes to some business fundamentals post-Brexit would require some fairly radical and bold changes to business structures and operations. Experience tells us that the impacts tend to be highly localised.
INDUSTRIAL POLICY AND STRUCTURE	The impact on industrial policy in the EU depends on the Brexit model, but we may see: > A weakening of competition policy, looser collaboration in education and research, and fewer EU students in the UK > Reduced R&D collaboration with European partners > More government intervention in high-profile and politically sensitive procurements	▪ If the UK withdraws from European Research collaborations and funding, this will disproportionately affect UK universities and industries that benefit from - particularly the automotive, aerospace, pharmaceuticals, and chemicals sectors.

	> The cost of mergers being separately reviewed by the UK and EU authorities. > The UK was an important > Revisions to emissions and sustainability targets > UK influence over the culture and style of regulation (in EU and internationally) in key sectors is likely to diminish	▪ If trade agreements were struck with the EU and/or other nations, it is unlikely that there would be much relaxation of State Aid rules or a significant ramping up of government intervention in the economy, as most trade agreements restrict 'non-tariff barriers' to trade such as state aid to business. ▪ Climate change and sustainability targets may be reduced or dropped, which has implications for local quality of life, and quality of place, as well as for future developments and green industries.
LABOUR MARKETS AND IMMIGRATION	If the UK adopts the Norwegian or Swiss models the UK would still need to sign up to the free movement of labour. Under the other models the government could choose to align EU immigration with the non-EU points system. Tier 1 (highly skilled, entrepreneurs) and Tier 2 (skilled, graduate) immigration quotas would need to be raised significantly if the flow of immigration in these categories is not to be seriously disrupted. Tier 3 (unskilled) quotas are currently closed.	▪ New immigration arrangements may impact upon local businesses and local public services in terms of ability to meet skills needs and respond to opportunities. ▪ To provide more skills needs with the domestic labour supply, there will need to be significant improvements in the UK (and local) education and skills systems. ▪ Localities with significant businesses with international operations and high value added products would be hardest hit by their limited ability to hire skilled labour from overseas.
FINANCIAL SERVICES	Financial services are a significant industry in the UK, and it is one it is most competitive and global export activities. Financial services generated 11.0% per cent of total UK government tax receipts, whilst employing 1.1 million (3.5% of UK employment). Brexit may impact on the location, liquidity and cost of financial services in Europe if it undermines London's competitive position. The UK is the leader in euro-denominated wholesale banking, but Eurozone countries and institutions want this activity to move to the Eurozone and be overseen by the ECB. However – the UK's global competitive position in financial services, and other European nation's reliance on its services is likely to be maintained. The main issues will relate to restructuring of markets and activities depending on Euro-denominated banking functions and the ability to operate across the EU (financial passporting)	▪ For local economies with a significant presence of internationally-traded financial services, and global financial services functions - the fortunes are mixed. It is highly likely that Euro-denominated services will relocate to the EU, and any financial services requiring passporting rights within the EU will have to move or expand operations within the EU - probably at some cost to UK-based operations. ▪ There may also be implications for local property markets, as financial services tend to take up significant office space, at premium rents.
LIBERALISATION AND REGULATION	It is unclear whether there are substantial regulatory benefits from Brexit. The UK already has one of the OECD's least regulated product and labour markets. The paradox for the UK and Brexit is that exiting the EU and entering new bilateral trade deals may well increase the level of regulatory compliance for UK companies that export because they must comply with the regulations of destination markets.	▪ The regulatory system, and requirements placed on firms is unlikely to significantly change. This is because, to access overseas markets, firms will likely have to comply in terms of product and service safety and standards, and the UK has one of the OECD's least regulated product and labour markets. ▪ A close watching brief would need to be kept on land use planning policy, as this has long been regarded as one of the main regulatory barriers to economic growth in the UK.
PUBLIC FINANCES	Most mainstream economists, banks and market commentators (with analytical and modelling capabilities) predict that UK economic growth will be constrained due to the uncertainties created by the Brexit vote. The only real factor that can be assumed by the Chancellor of the Exchequer is the continued uncertainty over the performance of the UK economy. This tends to lend caution to public spending and borrowing requirements. Major changes to public expenditure plans or injections of public investment are unlikely over the short to medium term.	▪ If the impact of short-to-medium term uncertainty, and prospect of hard Brexit means reduced GVA growth, then this will have knock-on impacts for UK tax revenues. In addition, financial services are estimated to contribute 11% of tax revenues in the UK (for 1.1 million workers). ▪ The implications for local economies are two-fold - the need to replace lost tax revenues with new sources (such as business rates, changes to income tax bands, or other taxes and charges); and the continued pressures on public finances are unlikely to ease over the next 5 years.

ECONOMIC PERFORMANCE, GROWTH AND WELFARE	The LSE has modelled the economic outcomes from a series of scenarios: − In an 'optimistic' scenario, the UK (like Norway) obtains full access to the EU single market. LSE calculate this results in a 1.3% fall in average UK incomes (or £850 per household). − In a 'pessimistic' scenario with larger increases in trade costs, Brexit lowers income by 2.6% (£1,700 per household). − If the UK unilaterally removed all its tariffs on imports from the rest of the world after Brexit, UK incomes fall by 1% in the optimistic case and 2.3% in the pessimistic case. − The LSE's analysis (using empirical data and dynamic economic models) of Minford's 'Britain Alone' policy predicts a 2.3% loss of welfare compared with staying in the EU	▪ A fall in GDP growth and a real fall in average household incomes is likely, being more severe with higher trade costs. ▪ Economic impacts of Brexit will not be uniform spatially – some local economies will be more affected than others.
EU FUNDS	Over the current 2014-20 cycle, English regions will gain €2665m in European funding before match funding. Leaving the EU will undoubtedly involve leaving structural and other funding regimes, including agricultural funds and market regulation.	▪ Withdrawal from EU structure, social, innovation and agricultural funds will have significant implications for economies with performance that is below average, or have large rural areas. ▪ There is no position, nor any policy options on the table which discuss new models of regional aid, aid for R&D or innovation, for youth unemployment and worklessness, or for agriculture. Therefore there is significant uncertainty. ▪ There may be scope for more effective funding regimes and uses of funding. Localities can inform any new approaches.
CHALLENGES OF POST-BREXIT WORLD	Probably the most significant reflection from past experience is that once there is some degree of certainty about the future market, economic, or regulatory situation – businesses act fairly swiftly to plan, restructure and operate. Consumers can also react quite quickly in terms of adjusting or switching spending. There is unlikely to be a gradual shift. We could witness some very significant announcements and events in terms of large scale industry and business restructuring, job loss, offshoring, or new jobs growth.	▪ Economic forecasts and predictions more unreliable in face of potential economic shocks ▪ Uncertainty over future trading relationships leads to delayed investments / hiring ▪ Businesses and consumers will adjust quickly once there is more certainty over the future nature of trade and economic climate – this might mean sudden decisions and shocks affecting local economies ▪ Opportunities from Brexit – there will be some, but not clear currently what they will be

5. Discussion on the main economic implications of Brexit

This chapter discusses the main themes and implications of Brexit in terms of economic performance and public policy for the economy.

5.1 TRADE

Why is trade important?

> **Productivity:** There is a strong link between exporting and productivity. Between 1996 and 2004 the rate of productivity growth for UK exporters was 1.3% compared to 0.8% for non-exporters[1].

> **Industry specialisation:** Economic theory and evidence strongly suggests that in open, internationally trading economies, nations develop specialisations in industries and activities where they have a price and productivity advantage. This is because they will put their productive resources into getting the most return – if they sell cars, say, competitively internationally, but do not compete well in trading wheat production – then they will ultimately put more resources into producing cars and less resources into producing wheat.

- Unfortunately, completely free and open trade with the rest of the world does not exist and nor is it likely to. Within the EU or EFTA free trade zone it does exist for a large range of industries, goods, and services. But between nations, trade is managed – free trade agreements exist for specific goods and services. But there will always be market distortions or exceptions such as strategic industries that are protected, the need for harmonization of regulations (health, safety, consumer protection), anti-dumping agreements, etc.

- There are also other implications of trade agreements. Many nations insist on fuller market access, beyond goods and services – for example, relating to financial services, ability to acquire and control assets and market activities; and ability to secure labour market access for citizens. Increasingly, trade agreements have labour immigration requirements. This is sensible if, for example, a large US corporation wishes to invest in the UK and will require the ability to transfer some of its US-based workers to set up and run operations.

> **Exchange rate value:** if a country exports goods and services with relatively high levels of market demand internationally, overseas countries often need to pay for these goods and services in the currency of origin. E.g. A wholesale fleet of Mercedes cars for sale in local markets will need to be purchased in Euros. This increases market demand for Euros, thus influence the exchange rate – making Euros more valuable.

In 2013, the UK comprised one-sixth of the total value of economic output of the European Union. 10% of EU exports go to the UK; and 50% of UK exports go to the EU.

---

[1] Harris and Li, Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth, UKTI, 2007

The UK has a trade deficit with the rest of the EU of €66 billion (2013), equivalent to 0.6% of the GDP of the EU27. A trade deficit means that the UK imports more by value than it exports with the EU.

Within the EU, a small number of countries are responsible for the EU trade surplus (i.e. exports more by value than imports) with the UK[2]:

> Germany exports €78 billion to the UK and imported €50 billion from the UK in 2013
> As a % of GDP the trade surplus with the UK is important in many countries. This exceeds 1% of GDP in the Netherlands, Poland, Czech Republic, Belgium, Hungary, Latvia, Lithuania, Slovakia.
> Only a few EU countries run a trade deficit with the UK, notably Ireland at 6.2% of GDP in 2013

UK companies are relatively upstream in global supply chains, compared to companies in other European countries. The importance of the UK in international supply chains is particularly concentrated in a small number of sectors. In 2009 the UK exported almost $54bn of business and financial services into the supply chains of other countries, with companies in other EU countries accounting for a large proportion[3]. In the same year the UK exported over $30bn of mining and chemical products and over $20bn in the transport, telecom, and wholesale and retail sectors into international supply chains.

> The LSE's analysis[4] first quantifies the 'static' effects of Brexit on trade and income.

  − In an 'optimistic' scenario, the UK (like Norway) obtains full access to the EU single market. LSE calculate this results in a 1.3% fall in average UK incomes (or £850 per household).

  − In a 'pessimistic' scenario with larger increases in trade costs, Brexit lowers income by 2.6% (£1,700 per household).

> The overall GDP fall in the UK is estimated at £26 billion to £55 billion, about twice as big as the £12 billion to £28 billion income loss in the rest of the EU combined.

> If the UK unilaterally removed all its tariffs on imports from the rest of the world after Brexit, UK incomes fall by 1% in the optimistic case and 2.3% in the pessimistic case.

> In the long run, reduced trade lowers productivity. Factoring in these effects substantially increases the costs of Brexit to a loss of 6.3% to 9.5% of GDP (about £4,200 to £6,400 per household).

> Being outside the EU means that the UK would not automatically benefit from future EU trade deals with other countries. This would mean missing out on the current US and Japanese deals, which are forecast to improve real incomes by 0.6%.

[2] The Pink Book, 2014, Office for National Statistics.
[3] OECD-WTO Trade in Value Added database
[4] Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016) The consequences of Brexit for UK trade and living standards, CEP Brexit Paper 02, London School of Economics.

In addition there are consequences of trade agreements on domestic industries serving mainly domestic industries – particularly in agriculture, food and drink where new imports displace domestic production. For instance, if there was a free trade agreement with New Zealand, there would almost certainly be a significant increase in Lamb exports from there to the UK, impacting upon the domestic UK lamb industry. On the flip side, a WTO-style agreement with New Zealand might reduce imports, and boost the UK lamb industry.

BREXIT AND TRADE: IMPLICATIONS FOR LOCAL ECONOMIES

> The trading position will affect different localities depending on their industrial mix, and range of activities which businesses are engaged in.
> At the moment, these industries are regarded as more vulnerable to changes in trade access to the EU and other nations: business and financial services; professional services, manufacturing, and mining and chemicals.
> There are also the consequences of a displacing effect of new imports on UK domestic producers (e.g. food and drink); or the import substitution effect where domestic UK producers may become comparably more price competitive due to greater tariffs on imports.
> The most significant implication is that changes in trade relationships could have fairly dramatic impacts on local industries and business – in the case of freer trade it could introduce competition in the UK marketplace; and in the case of higher barriers to trade it could decrease competition and make domestic producers more price-competitive.
> Free trade is generally thought to be productivity enhancing – as internationally trading industries, goods and services improve productivity to remain competitive. But it also means that less competitive or less productive industries get out-competed in the market-place.
> So an increase in barriers to trade will probably reduce the scope for productivity growth in the local economy.

5.2 BUSINESS ACTIVITY

INVESTMENT + FDI

Foreign direct investment (FDI) raises national productivity and therefore output and wages. Multinational firms bring in better technological and managerial know-how, which directly raises output in their operations. FDI also stimulates domestic firms to improve – for example, through stronger supply chains and tougher competition.

The UK has an FDI stock of over £1 trillion, about half of which is from other members of the European Union (EU). Part of the UK's attractiveness for foreign investors is that it brings easy access to the EU's Single Market. After Brexit, higher trade costs with the EU would be likely to depress FDI.

The UK is the largest recipient of FDI in the EU and a lot of this investment has been contingent upon access to the EU single market. Brexit could reduce the attractiveness of the UK as a gateway to Europe. It could also lead to a reduction in investment from the rest of the EU, which is the biggest source of FDI in the UK. It may become harder to attract corporate HQs.

The EU was the source of 46% of the stock of FDI in the UK in 2013. This dependence has fallen somewhat in recent years, with the EU share down from 53% in 2009[5].

The London School of Economics empirical analysis looks at bilateral FDI flows between 34 OECD countries (including the UK) over the last three decades. Controlling for many other factors, the baseline estimate is that EU membership has raised FDI by about 28%[6].

The UK has many advantages that would be unaffected by Brexit such as language, light regulation and deep capital markets. Even so, the UK may struggle to attract as much new investment following Brexit. Other locations inside the EU are likely to be more attractive for marginal investment decisions.

A poll of British firms suggests the impact of Brexit will be damaging not only to FDI, but also to the investment intentions of UK firms, with 29% more saying it will have a negative than a positive impact[7]. However, the EU features low down the list of important factors according to a separate poll, with fewer than 1% of firms saying the UK needs to focus on access to the European market to remain a major global destination for investment[8]. Opinions are likely to vary across sectors. Investment in vehicle production, for example, appears particularly dependent on the single market, both for sales and due to long European supply chains.

---

5 Global Counsel (2016), Impact of Brexit, calculations from Office for National Statistics figures.
6 Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016), CEP BREXIT ANALYSIS No. 3, The impact of Brexit on foreign investment in the UK, Centre for Economic Performance, London School of Economics.
7 CBI/YouGov, June-July 2013
8 EY's Attractiveness Survey, UK 2014;

Half of all European headquarters of non-EU firms are in the UK, with the UK hosting more HQs than Germany, France, Switzerland and the Netherlands put together[9]. This could become harder following Brexit given the favourable tax treatment available to member states through the Parent-Subsidiary Directive. The UK would either need to negotiate third-country treatment under the directive or a series of new double taxation agreements with member states. That would take a considerable amount of time.

Many large European corporates are heavily invested in the UK and the commercial logic for this investment could be affected by Brexit. The cost of adjustment for European corporates could be considerable. The UK may seek to compete more aggressively for investment by undercutting the EU on taxation and the business environment.

FDI in the UK from the EU comes disproportionately from a small number of host countries, including France, Germany, Spain and Ireland, although the picture is distorted by FDI routed through third countries, such as the Netherlands and Luxembourg. The EU share of FDI is much higher in the energy, retail and wholesale trade, transportation and manufacturing sectors than it is in financial and professional services.

[9] HM Government, Review of the Balance of Competences between the UK and the EU: The Single Market, July 2013

Implications of Brexit on FDI might include:

> Striking a comprehensive trade deal – for example, joining Switzerland in the European Free Trade Association – would not significantly reduce the negative effects of Brexit on FDI, according to the data[10].

> Assessing the impact of lower FDI on income is complex. LSE use existing macroeconomic estimates of how FDI affects growth combined with a very conservative estimate of the impact of Brexit – a 22% fall in FDI over the next decade. LSE calculate that a Brexit-induced fall in FDI could cause a 3.4% decline in real income – about £2,200 of GDP per household. The income losses due to lower FDI are larger than our estimates of static losses due to lower trade of 1.3% to 2.6%.

> The LSE's estimates of the impact of Brexit on the UK's car industry[11] imply that UK production would fall by 181,000 cars (12%) and prices would rise by 2.5%. Even if the UK manages a comprehensive trade deal and keeps tariffs at zero, production would fall by 36,000 cars.

> The UK's financial services industry is the largest recipient of FDI. Restrictions on 'single passport' privileges following Brexit, would lead to big cuts in activity. Furthermore, the UK would be unable to challenge EU regulations at the European Court of Justice.

> The success of the UK in attracting FDI projects and jobs creates opportunities and risks for other EU countries if the UK leaves the EU. Whether they can seize the opportunity depends on how they respond to the loss of UK competitiveness that Brexit would likely represent. One particular challenge would be to attract European headquarters for multinationals away from the UK, but this will depend as much on the business environment in individual European countries.

> The UK would almost certainly seek ways to restore the competitiveness of the FDI offer. The UK might attempt to 'undercut' the EU further on social regulation and taxation, but probably not on environmental legislation. The risk to the EU is of the UK acting 'like Ireland' but over ten times bigger and largely liberated by the constraints and obligations of EM membership.

> This could impact in one of two ways in the rest of the EU. It could distort location choices and draw investment away from the rest of Europe over time. Or it could benefit firms elsewhere in the EU to the extent that it puts pressure on their governments to be more liberal and to take steps to improve the environment for investment.

---

10 Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016), CEP BREXIT ANALYSIS No. 3, The impact of Brexit on foreign investment in the UK, Centre for Economic Performance, London School of Economics.

11 Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016), CEP BREXIT ANALYSIS No. 3, The impact of Brexit on foreign investment in the UK, Centre for Economic Performance, London School of Economics.

VULNERABILITY TO FOREIGN ACQUISITION

The UK has one of the most liberal policies in the world towards the acquisition of firms. There are no bars to foreign interests acquiring controlling interests, or whole ownership of firms across most industrial sectors, even ones with significant public interest such as rail transport and nuclear energy. Currently, with sterling at a low value, some UK firms look like good value as either going concerns, or the value of their assets and intellectual property. We have witnessed over the past 9 months that some UK firms with very good international tradability and high value intellectual property have been acquired by overseas interests – including the acquisition of ARM by Softbank.

RESTRUCTURING

The potential changes to market access (to the EU), immigration and work permits, and exchange rates would be significant considerations in any future business plans, particularly for businesses operating internationally, whether controlled by UK interests or ultimately owned overseas.
For some businesses, it is not unreasonable to assume that changes to some business fundamentals post-Brexit would require some fairly radical and bold changes to business structures and operations.

BREXIT AND BUSINESS ACTIVITY: IMPLICATIONS FOR ALL LOCAL ECONOMIES

- New FDI contingent upon free market access, and free movement of labour within the EU will likely decline.
- It is likely that, should the UK not enter a sufficient market agreement with the EU, there will be movement of investment, jobs and activities from the UK to the EU. Business activities with integrated supply chains, and that deal with large volumes of cross-border trade flow (e.g. automotive and financial services) will be hardest hit.
- The UK, and localities within it will have to focus on other competitive location factors (other than unfettered EU market access) to attract FDI.
- Localities may have to compete for FDI by offering one or more of: lighter tax burden; lighter social and labour market regulation; lighter environmental regulation; reduced land-use planning control and regulation; financial assistance; more competitive location factors such as skills, infrastructure, institutions, HE/R&D and other social assets.
- Industry-leading local firms will be more vulnerable to foreign acquisition. If they have valuable IP, assets, markets, or customers – they will be seen as valuable, and if sterling impacts the company valuation and makes it more attractive – this can then start to encourage takeover bids.
- For some businesses, it is not unreasonable to assume that changes to some business fundamentals post-Brexit would require some fairly radical and bold changes to business structures and operations. Experience tells us that the impacts tend to be highly localised
.

5.3 INDUSTRIAL POLICY AND STRUCTURE

UK industry benefits from research collaboration in Europe and researchers have done well in EU competitions. While the UK would gain flexibility over industrial policy outside the EU it would lose the benefits from scale and influence over policy in areas such as energy.

The UK receives more funding from the European Research Council than any other country and 50% more than Germany, allowing UK universities to fund more than 10% of project-based research from EU contributions[12]. Ten of the top twenty universities in the FP7 programme are in the UK, including the top three[13]. UK researchers benefit from the pan-European collaboration encouraged by programmes like Horizon 2020. The automotive, aerospace, pharmaceuticals and chemicals sectors are among the beneficiaries.

In early 2014 restrictions were placed on Swiss researchers accessing European Research Council grants following a dispute with the EU over free movement of persons. While the UK would most likely access science funding outside the EU, the Swiss experience shows this cannot be taken for granted. The UK is also likely to have less influence over research priorities following Brexit.

The UK would gain leeway to run a more active industrial policy unconstrained by EU state aid rules under some models. This might include reinstating a public interest test for takeovers, or introducing more comprehensive R&D tax credits. State aid rules have constrained UK policy in several areas including investment in Hinckley Point; renewables support schemes and the British Business Bank. The UK would, however, still be bound by WTO rules and even an FTA-based approach would impose disciplines in this area.

The impact on industrial policy in the EU depends on the Brexit model, but we may see:

- A weakening of competition policy, looser collaboration in education and research, and fewer EU students in the UK
- The UK government may intervene more in high-profile and politically sensitive procurements
- Business would need to bear the cost of mergers being separately reviewed by the UK and EU authorities.
- The UK may adopt a different approach to procurement following Brexit with government discretion being used more freely, particularly when under political pressure. The potential is evident from the controversy surrounding the Thameslink competition between Bombardier and Siemens.
- The UK was an important influence on the 2030 targets for emissions reduction, calling for tighter targets, while successfully fighting off calls for additional binding targets for renewables and energy efficiency. This would have added to the cost to business of meeting the emissions targets.

[12] HM Government, Review of the Balance of Competences between the UK and the EU: Research and Development.
[13] Sixth FP7 Monitoring Report, August 2013.

- UK influence over the culture and style of regulation in key sectors, including the utilities, would be likely to diminish following Brexit. UK bodies such as Ofcom, Ofgem, Ofwat and the Intellectual Property Office have provided a model for similar bodies in several EU states.

BREXIT AND INDUSTRIAL POLICY: IMPLICATIONS FOR LOCAL ECONOMIES

- If the UK withdraws from European Research collaborations and funding, this will disproportionately affect UK universities and industries that benefit from – particularly the automotive, aerospace, pharmaceuticals, and chemicals sectors.
- If trade agreements were stuck with the EU and/or other nations, it is unlikely that there would be much relaxation of State Aid rules or a significant ramping up of government intervention in the economy, as most trade agreements restrict 'non-tariff barriers' to trade such as state aid to business.
- Climate change and sustainability targets may be reduced or dropped, which has implications for local quality of life, and quality of place, as well as for future developments and green industries.

5.4 LABOUR MARKETS AND IMMIGRATION

Immigration is a fraught political issue in the UK both because the costs and benefits are not distributed evenly and as perceptions have become disconnected with reality, partly due to hostile media coverage. The scope to tighten immigration depends on the Brexit model. This risks damaging competitiveness, particularly of London, and being economically costly.

According to the OECD migrants are more likely to be net contributors to public finances if they are younger, in work and skilled. The evidence suggests that on average EU migrants make a net contribution to public finances and the OBR estimates the net contribution will be large in future[14]. However, A8 migrants will increasingly have families and put pressure on education spending. They also exacerbate the shortage of affordable housing. On average migrants have contributed 34% more in fiscal terms to the UK than they have taken out, or £22.1bn in total in 2011 terms[15].

LABOUR DEMAND

It is estimated that 1.5m new jobs will be created in higher-skilled jobs popular with EU15 migrants by 2022. Few new lower-skilled jobs will be created, but there will be a high demand for labour to replace retirees in these areas[16].

Immigration helps address skills shortages and the consequences of an aging population. Free movement allows UK firms access to specialist skill that are increasingly important to high-value added industries. 63% of CBI members say free movement has benefitted their business[17].

[14] OBR, Fiscal Sustainability Report, July 2013.
[15] Dustmannand Frattini, The Fiscal Effects of Immigration to the UK', UCL Centre for Research and Analysis of Migration, November 2013.
[16] UK Commission for Employment and Skills, Labour market projections for the UK, February 2015
[17] CBI/YouGov, June-July 2013

LABOUR SUPPLY

If the UK adopts the Norwegian or Swiss models the UK would still need to sign up to the free movement of labour. Under the other models the government could choose to align EU immigration with the non-EU points system. Tier 1 (highly skilled, entrepreneurs) and Tier 2 (skilled, graduate) immigration quotas would need to be raised significantly if the flow of immigration in these categories is not to be seriously disrupted.(5)Tier 3 (unskilled) quotas are currently closed. The impact of immigration restrictions will be felt disproportionately in London and impact on the competitiveness of businesses located there.

The Bank of England, whose principal remit is to control inflation and ensure financial stability, predicts that that inflation is projected to remain somewhat above the 2% target at the end of the Committee's three-year (2015-20) forecast period due to the continued pass-through of higher import prices.

BREXIT, LABOUR MARKETS AND IMMIGRATION: IMPLICATIONS FOR LOCAL ECONOMIES

> If there is limited movement of labour, or an immigration system which is complex, burdensome, expensive or time-consuming – this may limit the ability of local businesses, and local public services (such as health) to attract immigrant labour into jobs where the workforce skills cannot be secured locally or nationally.
> The education and skills system in the UK, long criticised for not providing to employers needs or to the goal of enhanced productivity, would be even more challenged by a hard Brexit scenario, as there would be significant skills gaps in the available workforce verses the vacant jobs. In addition, the need for serious improvements to adult skills and guidance (which have been subject to very hard funding cuts) would be required, in order to address in-work progression and adult careers progression.
> Localities with significant businesses with international operations and high value added products would be hardest hit by their limited ability to hire skilled labour from overseas.

5.5 FINANCIAL SERVICES

Established advantages and agglomeration effects mean the UK has a strong competitive edge in financial services that would be hard to dislodge. However, existing EU regulations would make it harder for London to serve European markets, particularly for retail products and in euro trading. Business activities could move from the UK.

Under the Swiss or FTA models the UK must negotiate access to EU markets in financial services. The EU only allows access to countries with equivalent regulations. The approach currently varies across directives. No access is allowed in some areas, such as UCITS (undertakings for collective investment in transferable securities). The logic is that retail consumers need additional protection.

By contrast, the EU takes a flexible approach to wholesale banking, where equivalence is defined largely by reference to international standards. This matters for the UK given its dominance in wholesale banking. In many other directives the EU takes an intermediate approach.
For example, the EU evaluates the equivalence of insurance regulation 'line-by-line' under Solvency II, although the impact is softened by transitional arrangements.

The Swiss experience highlights the risks to the UK. They have equivalence under AIFMD, are being assessed under Solvency II and will try under MIFID. But they have failed under EMIR, ostensibly due to capital requirements, but with a suspicion that the real problem is Swiss immigration policy.

The UK is the leader in euro-denominated wholesale banking, but Eurozone countries and institutions want this activity to move to the Eurozone and be overseen by the ECB. This would be much more likely following Brexit, as the UK would no longer be protected by ECJ enforcement of single market rules. The UK might also suffer an opportunity cost from being absent from future liberalising initiatives such as Capital Markets Union, which could open up new markets in areas such as securitisation and covered bonds.

The impact in the UK would be felt beyond London in financial centres such as Edinburgh, Leeds and Glasgow, as well as in the Crown dependencies.

Brexit may impact on the location, liquidity and cost of financial services in Europe if it undermines London's competitive position. This would be costly for businesses and households across Europe. Most large European banks have major operations in London which would be costly to relocate. Only a small number of financial centres elsewhere may benefit.

The UK is highly integrated into the European financial system. Total UK claims on the EU15 alone are $880bn with most of the credit to households and firms, but some also to governments and interbank lending. European bank exposure to the UK is even greater at $1.7tn in total[18]. It would be costly for European banks to relocate wholesale banking activity away from London.

London is not just a European financial centre –it is an international centre with a dominant position in many product areas. However, London's international position could be damaged if large amounts of European business migrate following Brexit. There is a risk that some business, particularly more mobile activity such as derivatives, may leave Europe altogether.

The most likely beneficiaries in the EU are Paris, Frankfurt, Amsterdam and Dublin. But they cannot replicate overnight the advantages of the London 'ecosystem' supporting financial services, including skilled staff, legal services and market infrastructure. Competition between them borne out of new barriers to trade with London would be disruptive and costly. Businesses in Europe would lose due to

[18] Deutsche Bank Research, A Future in the EU?, EU Monitor, September 2014.

higher charges, poorer products and less liquidity. European corporates would, for example, find it more inconvenient and costly to raise capital in London, which currently provides a one-stop shop.

Brexit would likely change the balance of financial regulatory debates in Europe. The UK now takes a more interventionist and risk-averse approach to regulation. Even so, the UK largely avoids politically-motivated interventions. Initiatives such as the Financial Transactions Tax and the cap on banker bonuses would have found an easier passage in an EU without the UK.

According to PWC's analysis for the City of London,[19] the total tax contribution of UK financial services, was £66.5 billion in taxes to the UK exchequer in 2014/15, an increase of 1.4% from the previous year. This represents 11.0% of the total UK government tax receipts from an industry that employs 1.1 million people.

BREXIT AND FINANCIAL SERVICES: IMPLICATIONS FOR LOCAL ECONOMIES

> For local economies with a significant presence of internationally-traded financial services, and global financial services functions – the fortunes are mixed. It is highly likely that Euro-denominated services will relocate to the EU, and any financial services requiring passporting rights within the EU will have to move or expand operations within the EU – probably at some cost to UK-based operations.

> There may also be implications for local property markets, as financial services tend to take up significant office space, at premium rents.

5.6 LIBERALISATION AND REGULATION

The implications for market liberalization and regulation may be that, perversely, there may be less liberalization and more regulation for the UK, because:

> Historically, the UK has been one of the foremost champions of the single market and free trade within the EU. The UK has also played a significant role of shaping policy debates in the EU in ways that matter irrespective of the UK's voting weight. The UK has on several occasions used its clout to frame a policy debate in liberalising terms. This has been evident in major, set-piece liberalising initiatives, such as the services directive, and also in specific pieces of regulation, such as the REACH for the chemicals sector.

> Many EU regulations are intended to create the level playing field the single market requires.

> A paradox of UK euro scepticism is that following Brexit the UK would lose influence over EU regulation without gaining much freedom to regulate independently.

[19] https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Pages/Total-Tax-2015.aspx

- Even if EU regulation is, as critics, say, more costly than UK regulation - under most Brexit scenarios the UK must choose between adopting EU rules or being excluded from the single market.
- Common regulations are necessary for the single market in goods and services, which is a UK priority. An FTA scenario is only marginally different. This would give the UK more flexibility to choose whether to adopt EU regulation, but as TTIP shows the biggest prize for modern FTAs is regulatory convergence.
- The UK has a history of 'gold plating' EU regulation – adopting higher standards of regulation and compliance thank required under EU legislation
- The OECD regards the UK as the second least regulated product market after the Netherlands. Labour market regulation is comparable with the US, Canada and Australia and is much lower than other EU countries[20]. This suggests there is no conflict between EU regulations and a highly-liberal market economy.

The paradox for the UK and Brexit is that exiting the EU and entering new bilateral trade deals would likely **increase the regulatory compliance** for UK companies because:-

- In order to sell in EU markets, as well as negotiating access and paying tariffs (if applicable), UK companies would need to adhere to EU market regulations.
- In order for the UK to secure trade deals, it will need to harmonise its regulations, competition law etc. with the EU in areas of relevance. For example, State Aid could be perceived as a non-tariff barrier to trade, if the UK decides to grant financial aid to its automotive industry – it creates a perceived unfair advantage.
- UK firms selling to any other nation or trading bloc outside the EU would have to adhere to the regulations of the destination market. Trade deals with these trading blocs would necessitate regulatory compliance and other market liberalization measures.

The conclusion is that it is unclear whether there are substantial regulatory benefits from Brexit. The UK already has one of the OECD's least regulated product and labour markets. 'Big ticket' savings are supposedly from abolition of the Renewable Energy Strategy and the Working Time Directive – both of which receive considerable domestic political support in the UK.

BREXIT, LIBERALISATION AND REGULATION: IMPLICATIONS FOR LOCAL ECONOMIES

- The regulatory system, and requirements placed on firms is unlikely to significantly change. This is because, to access overseas markets, firms will likely have to comply in terms of product and service safety and standards, and the UK has one of the OECD's least regulated product and labour markets.
- A close watching brief would need to be kept on land use planning policy, as this has long been regarded as one of the main regulatory barriers to economic growth in the UK.

[20] OECD Indicators of Productivity and Long Term Growth

5.7 PUBLIC FINANCES

MIGRANT LABOUR CONTRIBUTION TO EXCHEQUER

According to the OECD migrants are more likely to be net contributors to public finances if they are younger, in work and skilled. The evidence suggests that on average EU migrants make a net contribution to public finances and the OBR estimates the net contribution will be large in future[21]. However, A8 migrants will increasingly have families and put pressure on education spending. They also exacerbate the shortage of affordable housing. On average, migrants have contributed 34% more in fiscal terms to the UK than they have taken out, or £22.1 billion in total in 2011 terms[22].

IMPLICATIONS OF CONSTRAINED GROWTH FOR THE PUBLIC FINANCES

Most mainstream economists, banks and market commentators (with analytical and modelling capabilities) predict that UK economic growth will be constrained due to the uncertainties created by the Brexit vote. Only a few individuals (such as Patrick Minford) predict growth – but these individuals are not backed up by large, dynamic macroeconomic forecasting models.

The outlook can change quickly. In November 2017 the OBR said the weaker economic outlook since the Brexit vote meant its March 2016 prediction of the public deficit was way off the mark and revised it to £68bn for the current financial year. But a strong recovery in the months after the referendum put Britain in the front rank of developed world economies and forced many forecasters to revise up their predictions of growth for 2017.

The only real factor that can be assumed by the Chancellor of the Exchequer is the continued uncertainty over the performance of the UK economy. This tends to lend caution to public spending and borrowing requirements. Major changes to public expenditure plans or injections of public investment are unlikely over the short to medium term.

BREXIT AND THE UK'S PUBLIC FINANCES: IMPLICATIONS FOR LOCAL ECONOMIES

- If the impact of short-to-medium term uncertainty, and prospect of hard Brexit means reduced GVA growth, then this will have knock-on impacts for UK tax revenues. In addition, financial services are estimated to contribute 11% of tax revenues in the UK (for 1.1 million workers).
- The implications for local economies are two-fold – the need to replace lost tax revenues with new sources (such as business rates, changes to income tax bands, or other taxes and charges); and the continued pressures on public finances are unlikely to ease over the next 5 years.

[21] OBR, Fiscal Sustainability Report, July 2013.

[22] Dustmannand Frattini, The Fiscal Effects of Immigration to the UK', UCL Centre for Research and Analysis of Migration, November 2013.

5.8 ECONOMIC PERFORMANCE, GROWTH AND WELFARE

The LSE has undertaken analysis of the potential impacts of Brexit on economic welfare[23]:

- Leaving the EU ('Brexit') would lower trade between the UK and the EU because of higher tariff and non-tariff barriers to trade. In addition, the UK would benefit less from future market integration within the EU.
- The main economic benefit of leaving the EU would be a lower net contribution to the EU budget.
- The LSE's analysis first quantifies the 'static' effects of Brexit on trade and income.
  - In an 'optimistic' scenario, the UK (like Norway) obtains full access to the EU single market. LSE calculate this results in a 1.3% fall in average UK incomes (or £850 per household).
  - In a 'pessimistic' scenario with larger increases in trade costs, Brexit lowers income by 2.6% (£1,700 per household).
- The overall GDP fall in the UK is estimated at £26 billion to £55 billion, about twice as big as the £12 billion to £28 billion income loss in the rest of the EU combined.
- If the UK unilaterally removed all its tariffs on imports from the rest of the world after Brexit, UK incomes fall by 1% in the optimistic case and 2.3% in the pessimistic case.
- In the long run, reduced trade lowers productivity. Factoring in these effects substantially increases the costs of Brexit to a loss of 6.3% to 9.5% of GDP (about £4,200 to £6,400 per household).
- Being outside the EU means that the UK would not automatically benefit from future EU trade deals with other countries. This would mean missing out on the current US and Japanese deals, which are forecast to improve real incomes by 0.6%.

Other commentators, such as Professor Patrick Minford, have forecast an *increase* in GDP post-Brexit due to the effects of repatriating EU budget contributions and new trade deals. Minford, one of the 'Economists for Brexit', argues that leaving the European Union (EU) will raise the UK's welfare by 4% as a result of increased trade. Under this policy ('Britain Alone'), he describes his model as predicting the 'elimination' of UK manufacturing and a big increase in wage inequality. However, Minford's work has drawn serious criticism as it is not based on any empirical analysis of trade data or any reasonable statistical analysis. The 4% rise in welfare is at best, informed speculation. The LSE's analysis (using empirical data and dynamic economic models) of Minford's 'Britain Alone' policy predicts a 2.3% loss of welfare compared with staying in the EU[24].

BREXIT AND ECONOMIC PERFORMANCE, GROWTH AND WELFARE: IMPLICATIONS FOR LOCAL ECONOMIES

- A fall in GDP growth and a real fall in average household incomes is likely, being more severe with higher trade costs. The impacts will not be uniform spatially – some local economies will be more affected than others.

[23] Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016) The consequences of Brexit for UK trade and living standards, CEP Brexit Paper 02, London School of Economics.

[24] Thomas Sampson, Swati Dhingra, Gianmarco Ottaviano and John Van Reenen (2016) Economists for Brexit: A Critique, CEP Brexit Paper 06, London School of Economics.

5.9 EU FUNDS

Whilst the threat of ‘Brexit’ poses many uncertainties for the UK a whole, its impact would not be nationally uniform but would differ across regions. The ramifications would be not simply economic, but also relate to the political governance of the UK’s regions.

The ‘structural policy’ of the European Union has existed since the 1970s with the aim of reducing the economic inequalities between the regions of Europe. Structural policy currently focuses on aiding regional competitiveness for poorer regions, and helping to promote employment amongst under-represented cohorts in the labour market.

Given the decline of the North’s traditional heavy industries, a significant focus of this funding is to create new industries in the region, with a particular focus on small and medium-size enterprises (SMEs). European Structural Funds work on the principle of ‘additionality’, in that it is supplied in addition to whatever domestic funding states give to their regions for economic development; it cannot be used as an excuse to cut domestic financial support for poorer regions. Structural funds also work on a ‘match funding’ principle whereby they will provide a maximum of 50 per cent of the funding for a given development project, ensuring that local private financers also buy into projects.

Over the current 2014-20 cycle the regions will gain €2665m in European funding before match funding, whilst in the previous round they gained €2923m. For the North West, North East and Yorkshire and Humber this equates to 93%, 166% and 87% of the national average, with only Cornwall receiving more per-capita funding in England. London, meanwhile, receives only 54% of the national average, and the South East 19%, highlighting how financial support is skewed to the poorer regions. Around 70,000 jobs in the North have been created by this funding to date, alongside 18,000 new businesses.

The future status of the funds is highly uncertain:

- There is no constitutional law or precedent on what would happen to this current funding were the UK to leave the EU, meaning that essentially it would be open to negotiation.
- There has been no indication over the role of the UK government in increasing its own regional funds to compensate for lost development funding.
- There is not much of a case for arguing that UK regions will lose control over funding as the UK government allocates EU funds currently. A court case by South Yorkshire and Merseyside councils to challenge the UK government’s lower allocations for the 2014-2020 round was overturned on appeal to the Supreme Court.

EU funding can be technically complex and heavily proscribed in terms of industries and activities supported and the requirements for matched funding. Withdrawing from EU structural funds may be an opportunity for the UK to introduce more flexible or effective forms of regional assistance and aid.

Common Agricultural Policy grant aid and support for the agricultural sector and rural communities is also another issue with serious potential consequences locally. Again, there is no new model of agricultural support or market regulation on the table if and when the UK exits the European Union.

One of the advantages of EU funds is that the funding periods are for 6 years, and there is a significant degree of consistency on eligible activities and use of funds. In contrast, the UK over recent years has witnessed many new grant funding announcements, with unclear objectives or funding criteria.

EU FUNDS: IMPLICATIONS FOR LOCAL ECONOMIES

> Withdrawal from EU structure, social, innovation and agricultural funds will have significant implications for economies with performance that is below average, or have large rural areas.
> There is no position, nor any policy options on the table which discuss new models of regional aid, aid for R&D or innovation, for youth unemployment and worklessness, or for agriculture. Therefore there is significant uncertainty.
> There may be scope for more effective funding regimes and uses of funding. Localities can inform any new approaches.

5.10 THE CHALLENGES OF PREDICTING THE POST-BREXIT WORLD

ECONOMIC SHOCKS ARE DIFFICULT TO PREDICT

The challenge with Brexit is that, like any other major economic shock such as a recession, the precise impacts are hard to gauge. What we do know is that:

> Economic forecasts and predictions get even more unreliable in the face of major economic shocks

> A big factor is uncertainty. Businesses and consumers will generally restrict spending and investment in the face of uncertainty. Any economic shock will cause uncertainty, until economic actors become confident that they understand the new economic environment and can make informed decisions.

> Confidence can decline very quickly. This can have quite serious impacts. If there is a perception in the market that there will be big declines in employment, consumer spending and/or business investment – then this has multiple impacts. For example:

- In the 2009 recession the decline in consumer spending led firms supplying the retail sector to no longer give sale or return status (i.e. supply in lieu of receipts from sales in the shops) to the retailers they deemed most exposed and at risk of bankruptcy. So these retailers, including Woolworth's could not even continue sales or discounting to shore up turnover – as they ran out of inventory to sell.

- There is no gradual adjustment. Changes in behaviour tend to be abrupt, sweeping and significant. There is no smooth transition period. Businesses, in particular, will make bold decisions and actions in response to the new market environment. E.g. even if there was a good transition deal for EU trade over 2-3 years with a new trade settlement in year 4, businesses will plan for the trade settlement in year 4 – which is the stable, long-term position. They will tend not to plan in a transitionary phase.

- There is a lot of ‘switching’ in the marketplace. Businesses and consumers will continue to spend in the economy, but there can be a remarkable level of ‘switching’ between goods and services. For example:

  - we have witnessed this with holidays – where domestic holidays boomed in 2016 in the face of a lower exchange rate value for sterling post-EU referendum. UK consumers switched their International holiday for a UK-based holiday.
  - Another example is during the 2009 recession where many consumers stopped buying new cars, and switched to second-hand cars. The result was a collapse in new car sales, and a shortage of used cars.

Probably the most significant reflection from past experience is that once there is some degree of certainty about the future market, economic, or regulatory situation – businesses act fairly swiftly to plan, restructure and operate. Consumers can also react quite quickly in terms of adjusting or switching spending. There is unlikely to be a gradual shift. We could witness some very significant announcements and events in terms of large scale industry and business restructuring, job loss, offshoring, or new jobs growth. And businesses tend to act first – they will not give much warning about what is about to happen.

More is known about the potentially negative impacts of Brexit than the positives.

It is obviously easier to analyse what might be lost in terms of trading and other international relationships post-Brexit, but very difficult to envisage the new trading relationships going forward. This is due to the fact that placing the UK outside of the EU, and with the task of forging new trade agreements and other relationships is unprecedented. Historic trading links, pre-EU are no longer of much relevance. The UK economic is structurally different, international trade has grown significantly, there are many new market players internationally (such as China), and international trade agreements are political agreements (that often take a long time), not market mechanisms.

Probably the best that can be assumed is that the UK has a stable economy, stable institutions and laws, and is generally an open and liberal market economy.

There will be winners from Brexit, there will be losers, and there will be industries and activities which are relatively unaffected

It would be wrong to predict that everyone loses from Brexit. There will be some sectors which remain unaffected, particularly industries where the UK enjoys technological and market leadership. These are often the sectors which prove the most adaptable.

Other sectors might benefit from the low value of sterling. Some might get bought out by foreign interests, who then enhance the performance of the firm or assets.

The UK has an open, flexible and dynamic economy. However, this has often been helped by the flexibility of immigration to solve labour demand problems, in the face of mixed capabilities in terms of the resident workforce, and an under-performing education and skills policy and delivery. No doubt that other market flexibilities (such as overseas control, market liberalization, relatively open capital flows and financial services) will remain – but creating a more rigid labour immigration policy will constrain the UK's ability to adjust.

PREDICTING THE POST-BREXIT WORLD: IMPLICATIONS FOR LOCAL ECONOMIES

> Economic forecasts and predictions become more unreliable in the face of major economic shocks.

> As there is no clear picture of future trading relationships with the EU and the rest of the World, businesses and consumers must make decisions under uncertainty. For local economies, this could mean that business decisions get delayed, or planned investments suspended until the new market environment becomes clear.

> Businesses and consumers tend to make quick adjustments to new market and economic conditions. Once the new trading relationships and issues become clear, businesses in particular will plan and act fairly quickly to be prepared for the new market environment. For local economies – this may mean that local economic events and shocks occur with little prior warning.

> There will be some winners and opportunities from Brexit. At the moment, it is unclear what these will be, but local authorities will need to keep a watching brief on this in order to prepare.

6. SUMMARY OF PROSPECTIVE IMPACTS AND CONSEQUENCES

Figure 6.1 presents a table that summarises the main themes, and prospective consequences for the macro-economy, industries, households, and government.

FIGURE 6.1: MAPPING OUT THE POTENTIAL IMPACTS OF BREXIT

THEME	MACRO-ECONOMY	INDUSTRY	HOUSEHOLD	GOVERNMENT
TRADE	▪ Reduced GDP growth ▪ LSE estimates loss of 6.3% to 9.5% of GDP in total (between £4,200 and £6,400 per household) ▪ Benefits from current EU trade deals with US and Japan which are forecast to improve real incomes by 0.6%.	▪ Potentially reduced sales/activity in EU markets for financial services, mining & chemical, transport, telecoms, wholesale and retail ▪ Potential for import substitution w/ Germany (depends on nature of goods and services) ▪ Impact on activities integrated into global supply chains to service EU market – e.g. Automotive	▪ Reduction in household income – between £850 and £1,700 per annum (LSE)	▪ The administrative implications of administering trade deals, new customs agreements are enormous, as the UK government does not have much capacity or expertise presently.
BUSINESS ACTIVITY				
INVESTMENT + FDI	▪ The London School of Economics's empirical analysis looks at bilateral FDI flows between 34 OECD countries (including the UK) over the last three decades. Controlling for many other factors, the baseline estimate is that EU membership has raised FDI by about 28% . ▪ The UK has many advantages that would be unaffected by Brexit such as language, light regulation and deep capital markets ▪ The LSE use existing macroeconomic estimates of how FDI affects growth combined with a very conservative estimate of the impact of Brexit – a 22% fall in FDI over the next decade.	▪ Half of all European headquarters of non-EU firms are in the UK, with the UK hosting more HQs than Germany, France, Switzerland and the Netherlands put together ▪ Many large European corporates are heavily invested in the UK and the commercial logic for this investment could be affected by Brexit. ▪ The LSE's estimates of the impact of Brexit on the UK's car industry[25] imply that UK production would fall by 181,000 cars (12%) and prices would rise by 2.5%. Even if the UK manages a comprehensive trade deal and keeps tariffs at zero,	▪ Lower labour productivity ultimately translates into lower potential earnings, which will impact upon household incomes	▪ It may be the case that lower corporate tax rates are required to retain and attract FDI to the UK. ▪ Reduced corporate tax rates will put pressure on other forms of taxation such as VAT, National Insurance and local business rates.

[25] Swati Dhingra, Gianmarco Ottaviano, Thomas Sampson and John Van Reenen (2016), CEP BREXIT ANALYSIS No. 3, The impact of Brexit on foreign investment in the UK, Centre for Economic Performance, London School of Economics.

THEME	MACRO-ECONOMY	INDUSTRY	HOUSEHOLD	GOVERNMENT
	LSE calculate that a Brexit-induced fall in FDI could cause a 3.4%decline in real income – about £2,200 of GDP per household. The in	production would fall by 36,000 cars. ▪ Another issue may be role of international finance in investment in property. This may be more expensive or constrained in future – which may render certain investments and locations non-viable.		
VULNERABILITY TO FOREIGN ACQUISITION		▪ UK's liberal acquisition and ownership rules mean that it is easy for overseas interests to acquire UK-domiciled firms ▪ May see industry leaders become vulnerable to takeovers if exchange rates make them a viable proposition to overseas buyers		
RESTRUCTURING	▪ Businesses tend to make bold and speedy changes to operating plans and structures once they have clarity over future economic or market conditions. This will introduce some volatility into the macro economy.	▪ Swift business decision-making may mean significant local impacts in terms of job location, consolidation, or complete industries winding down their activities. ▪ E.g. LSE forecasts significant loss of car production to the UK – which could result in plant closures.	▪ The implications of job loss or relocation may well mean an increase in household mobility and commuting distances ▪ In an economic downturn, the mobility in the housing market can get constrained by high house prices and restricted mortgage availability. This tends to suggest extended commuting times for those who are forced to change jobs, or find a new job	▪ The government will be put under pressure to respond to big events, such as a large company closure, collapse of retailers, pension schemes etc. ▪ The need to put further compensatory policies and grants on the table will further pressurize public spending
INDUSTRIAL POLICY AND STRUCTURE	▪ Significant changes to trade relationships, ability to attract and retain immigrant labour, and to operate internationally may severely constrain industries such as financial	▪ Potential loss of EU research funding – affecting high technology industries or undermining R&D capacity. ▪ Supply/value chain position and relationships. With		

THEME	MACRO-ECONOMY	INDUSTRY	HOUSEHOLD	GOVERNMENT
	services and automotive – which make significant contributions to the UK economy.	sterling's value at a historic low, and the potential for trade barriers (both tariff and non-tariff) there is ▪ Unlikely government will be more interventionist – any trade agreement (with any nation) will likely constrain state aid.		
LABOUR MARKET AND IMMIGRATION				
LABOUR DEMAND	▪ Due to effects of ageing workforce, replacement demand remains high – 1.5 million job openings between 2012 and 2022	▪	▪ Fewer new low-skilled jobs forecast to be created ▪ Could be fewer low-skilled jobs for job entry, or for workless adults who have been hit by recession and/or industry restructuring	▪ The reliance on immigrant labour for public services such as Health are immense, and the consequences of restricted immigration will be significant
LABOUR SUPPLY	▪ On average, migrants have contributed 34% more in fiscal terms to the UK than they have taken out, or £22.1 billion in total in 2011 terms[26]	▪ Immigrant labour supply may be constrained for industries who cannot meet their workforce needs through resident UK workforce – e.g. high skills, specialist; or lower skilled seasonal		▪ The UK government will need to carefully manage its work visa quotas to satisfy demand ▪ To make up for the loss of skilled immigrant labour, there will need to be transformative and fast improvements to education and skills provision, including adult skills and progression in the workplace
FINANCIAL SERVICES		▪ Euro-denominated banking likely to leave UK ▪ Any financial activity requiring EU passporting – will move operations from UK to EU	▪ Impacts of contraction of financial services will hit all UK financial centres, including Edinburgh, Leeds, Glasgow as well as London.	▪ According to PWC's analysis for the City of London, the total tax contribution of UK financial services, was £66.5 billion in taxes to the UK exchequer in 2014/15, an increase of 1.4% from the previous year. This represents 11.0% of the total UK

[26] Dustmannand Frattini, The Fiscal Effects of Immigration to the UK', UCL Centre for Research and Analysis of Migration, November 2013.

THEME	MACRO-ECONOMY	INDUSTRY	HOUSEHOLD	GOVERNMENT
				government tax receipts from an industry that employs 1.1 million people.
LIBERALISATION AND REGULATION	▪ UK may face greater regulatory barriers to EU market, as European Parliament loses (the UK's) biggest 'bloc vote' advocate for market liberalization.	▪ Market regulation requirements on industry likely to increase – as have to meet regulatory requirements of destination markets. Since UK will replace fewer bloc trade deals with more bilaterals – implies greater number of regulatory regimes for firms to adhere to. ▪ Businesses likely to face additional costs – of competition and regulatory authorities both in UK and EU, as no longer harmonized or passported from one to the other.		
UK FISCAL POSITION	▪ Fiscal situation likely to deteriorate. Will require UK government to maintain financial stability – i.e. control public finances and inflation.	▪ Loss of tax income from activities due to Brexit – will put pressure on other modes of taxation.	▪ Loss of tax income from activities due to Brexit – will put pressure on other modes of taxation. ▪ Since UK government very unlikely to increase corporate tax (in order to remain competitive as a corporate location), the burden will most likely fall on 1) income tax and 2) public sector budget and welfare cuts ▪ Income tax – unlikely to see changes in rates, more likely to see changes in tax bands (e.g. use of lowered tax allowances for main rate, pushing more workers into higher tax rates – i.e. fiscal drag)	▪ If economic output and growth is constrained – this will affect the UK public finances ▪ It is unlikely the UK would be able to gain EU market access without contributing to the EU budget ▪ If financial services contract or relocate to mainland Europe – there will be significant loss of tax income for the UK Government ▪ Loss of migrant tax contribution to the UK

THEME	MACRO-ECONOMY	INDUSTRY	HOUSEHOLD	GOVERNMENT
UNCERTAINTY	▪ UK government will need to have a credible strategy and actions for economic management, as well as contingency plans for crisis or recession	▪ Uncertainty about market structures and economic environment tends to lead business/industry to withhold investment and new recruitment	▪ Restricts consumer spending/ stimulates switching of spending to better perceived value for money ▪ Dampens housing market - in terms of demand, prices, volume of transactions	▪ The UK government will have to be dynamic and respond quickly to new uncertainties and changes in the economic environment.
EU FUNDING AND ASSISTANCE		▪ Either reduction in grant and other assistance, or replacement with new UK regime ▪ Perhaps lack of clarity over new funding/assistance arrangements will make it less easy to develop a project pipeline to use/ draw down any new funding opportunities	▪ Reduction in European Social Fund assistance for youth/worklessness	▪ Will need to provide a policy response to removal from EU funding schemes – structural funds, ESF, innovation funds, CAP. ▪ One of the advantages of EU funds is that the funding periods are for 6 years, and there is a significant degree of consistency on eligible activities and use of funds. In contrast, the UK over recent years has witnessed many new grant funding announcements, with unclear objectives or funding criteria.

7. Implications of Brexit for Cherwell and South Northamptonshire; Findings, Observations and Recommendations

Having considered the national picture and the implications generically at a local level, below is commentary upon the key findings drawn from stakeholder interviews (please see Appendix A for stakeholder comments, some of which are given below in italics (unattributed)).

7.1 Trade

Two main areas to focus upon should be existing exporters; giving them the support they need to react to implications of a possible exit from the single market and the need to establish new markets, and new exporters and how they might best respond to new trading opportunities and threats.

Work could be undertaken with DIT's Trade teams to educate business on the current export opportunities and the future challenges, within Europe and beyond with uncertainty over the timing and type of trade deals to be negotiated. With continued funding available for DIT this remains one of the few remaining Government support initiatives for business and should be taken advantage of.

With the current re-building of the 'special relationship' with the US, consideration should be given to encouraging exports to, and potential investment in, the United States. Whilst current EU trading relationships remain, and the UK is still the door to Europe, these advantages should be leveraged, whilst plans are put in place to continue to do business profitably under future trade agreements.

'One of the conundrums about Brexit is that it may force people to do and think globally even if being in the EU never really held us back from doing so before'

Recommendations

Work with DIT to meet the specific needs of local exporters (and potential exporters). Consider EU funding to enhance provision (se EU Funding below).Collaborate with the Chamber to promote existing and future support programmes.

7.2 Investment and Foreign Direct Investment

Cherwell and South Northamptonshire contribute significantly currently to the local economy through high rates of housing builds and economic strength. In the future even greater progress can be made, but national support will be needed to capitalise on planned infrastructure developments.

Both the Oxford Cambridge Expressway (and rail links), and the development of London Oxford Airport, and corresponding employment and housing opportunities are key to further prosperity and will make ‘borrowing’ the proximity of Oxford and Cambridge as part of the areas investment offer even more tangible.

National support will be needed however and significant resource may be required to continue to influence national decision making bodies (particularly the National Infrastructure Commission).Successful lobbying will clearly be most effective if a collaborative approach is taken with like-minded Authorities across the geography of England’s Economic Heartland.

Proactive promotion of employment sites and the opportunities opened up by the Oxford Cambridge rail link and expressway will enhance the Inward Investment offer in the area.

The importance of improving productivity (highly important any time) and maximising the benefits of key assets (infrastructure improvements) will become even more essential as a means of offsetting any negative impacts of Brexit, and amidst a range of unknown factors can be directly influenced by the councils.

With limited promotional budgets, any planned expenditure to encourage Inward Investment should also consider proactively encouraging more residents to move in, and promotion of the area also as a destination for study and tourism, rather than having discrete initiatives that are not joined up.

Targeted promotion of the Authority area as the housing offer (e.g. self-build) could be used to attract particular skills.

Locally /regionally (LEP) funded or nationally funded incentives may be required to level the playing field, with a need for more innovative/attractive/different soft landings offers.

The impact for the UK as a platform to Europe will need to be considered – with a change of emphasis to describe what can we offer in the future

‘Business Zones’ may be considered – to compete with Enterprise Zones – employment sites with Local Development Orders and rate relief?

Planning control liaison and pan council working will become increasingly important. All parts of the authority will need to be joined up and offer consistent and positive responses to businesses.

‘Supply chain benefits will become very important – see the HPT network as a good example – the opportunity to copy places like Cambridge and create a ‘golden glow’

'The geographic advantages of our position on the Oxford Cambridge axis is highly important – and the airport, rail link, expressway and HS2 will all continue to make the area highly attractive – though we must join together to make the advantages more widely known and counter negative views of the UK'

Recommendations

Continued close working with Economic Heartland partners is essential to influence on the national stage and maximise your investment offer. Positive incentives may have to be considered to stand out amongst competitive offers.

7.3 Productivity and Business Support

Sector Considerations

Some locally represented sectors are likely to be affected more quickly and perhaps more deeply than other as a result of Brexit although all businesses are likely to see changes in markets, opportunities and customer needs as a result. The availability of skills appears to be the largest concern (see below) but some implications appear not yet to have been fully considered. Depending upon the final (or any) trade deals negotiated by the UK during or after Brexit, trading conditions may change significantly for local businesses (due to potential tariffs and currency fluctuations).

This could impact upon sectors including High Performance Technology and Motorsport amongst others. This sector, highly important to the local (and wider) economy is a good example of how a proactive approach by business could negate the possible negative effects of Brexit.

In 2016 the HPT and Motorsport Cluster initiative was launched at Silverstone. Although prior to the Brexit referendum, it has already started to gain traction as an attractor to the area, despite external factors. Their innovative approach to the transfer of innovation between sectors (i.e. motorsport to tele-health) is commendable and could be copied in other sectors.

The sector reports that some investment decisions have slowed, and that new entrants have extended their decision making processes. However, the attraction of the cluster (intended to support a broadening of customer opportunities through diversification of technology uses) has had a positive effect. The numbers of enquires for premises at Silverstone has risen since the referendum, possibly partly due to the pound weakening, but also because businesses see the advantages of being close to a likeminded cluster of businesses and the resultant opportunities for applying technologies more widely than they could alone.

A further factor that seems to be affecting global investment decisions seems to be the nationalism agenda (potentially behind the Brexit decision and recent US election results).

Some overseas business are considering re-trenching to their home countries; the challenge for HPT and other sectors is to present compelling arguments to dissuade existing investors from moving, and losing the advantages built up from being part of a successful supply chain, with a pool of skilled labour available.

The model adopted by the HPT sector could have a significant effect elsewhere; many sectors are traditionally less likely to innovate, yet the impact of innovative business models and process could have a disproportionate impact upon productivity. Consideration could be given to ways to support innovation and corresponding productivity gains amongst industries including leisure and tourism, health care and retail. These sectors employ high numbers of staff and incremental gains could produce significant benefits.

'Cleary many sectors could be affected, including nuclear and atomic and space. Tariffs could make it less attractive for business to invest in the UK and will there be implications for pan European bodies'.

'*Work to improve productivity (to lessen any negative impact) particularly in lower profile secrets who do not traditionally innovate (again see care as an example*). *Work to raise the profile of such industries and encourage them as a career choice, not a stop gap'.*

Recommendations

Provide proactive and consistent support from council departments to business opportunities (enhanced Key Account Management).

Promote capability, skills, and geography independently and as part of the Economic Heartland offer.

Consider preparing short action plans for all key employment (and possibly housing) sites, where delays have occurred; to identify blockages to plan and progress remedial actions.

7.4 Labour and Skills

Clearly further collaborative work with further and higher education will prove beneficial as significant concerns have emerged from most respondents regarding the availability of skills if immigration controls are tightened significantly, with local labour and the required skills to meet businesses not being perceived as being available. This is clearly a particular issue in some sectors more than others (e.g. construction (with many major projects planned) health and care, tourism and agriculture). In these instances the continued ability to attract sufficient numbers of workers is concerning employers (particularly if Cherwell).

In addition the need to attract skilled workers (high tech industries, healthcare but logistics) is a further cause for concern.

Skills progression initiatives may be beneficial (possibly ESF funded alongside ERDF programmes to develop leadership

Continued work on existing initiatives (jobs clubs and school liaisons) is important.

Skills – both a drain of good people back to their home countries (with the pound worth less and negative impressions of how the British now view them) and uncertainty about where staff will come form in the future – is a major concern to many employers'

Recommendations

Employer engagement regarding skills programmes (particularly apprenticeships and higher apprenticeship as the Apprentice levy is introduced) will prove beneficial as the employer side of any skills equation is frequently neglected with supply side 'push' of programmes.

Initiatives to improve the perception of some sectors (e.g. leisure and tourism) may be required in order to present them as offering careers of choice, rather than stop-gap jobs.

7.5 EU Funds

As broad compulsory contributions to Europe funding programmes will cease at some point for the UK (possibly beyond Brexit to coincide with the end of the current 2014-20 funding regime?) current opportunities should be re-visited;

- Capitalising on the Government guarantee to fund ESIF funded activities signed before Brexit, even if projects run beyond the two year negotiation period
- Taking advantage of an apparent lack of enthusiasm for European funded projects by other organisations (LEPs' and LA's), due to a) complexity of project management, b) reluctance to depend upon (relatively) short term EU funding and c) apathy.

Then, in order to help secure appropriate funding in the future;

- Lobbying to influence the design and scope of replacement funds post Brexit to meet the local (and national) economy's needs.
- Encouraging an integrated strategy of voluntary contributions to some European programmes in the next funding round (any replacement/ continuation of/for Horizon 2020 etc.)

' Indeed, one of the biggest problems facing local areas post-Brexit is that the UK has never had a fully funded, domestic, strategic and coordinated regional development programme for its nations and regions'.

Recommendations

Consider ERDF bidding opportunities as lead partner or delivery partner with others (facilitating partnership development) in order to;

- Re-launch services to replace the Growth Service and Manufacturing Advisory
- Provide services that Growth Hubs can refer to (fill gaps)
- Work with DIT on enhanced export services
- Facilitate University backed projects to provide placements and embed skills
- Build business resilience in SME's and their capacity to innovate and develop new business models to address the effects of economic shock

7.6 Challenges in predicting the post Brexit world

Internal Council considerations

In addition to considering the actions that the Councils can take externally to support business and economic growth directly, Brexit also means that LA's are likely to need to change their ways of working and outlook in order to be able to react to an unpredictable world post Brexit:

- The need for a collaborative approach with others seems never to have been more important in order to influence national and regional decisions (through having a big enough voice to be heard).
    - Continue to work closely with like-minded (ED committed) Local Authorities (East Northants and Aylesbury) and those from the wider Economic Heartland grouping
- Smarter working (digital transformation of functions, not just for business and resident transactions) may be required.
- Data is king – the Local Authorities are ideally placed to gain (and share) business data, making them invaluable to partners (i.e. DIT) and able to assess opportunities (spotting and retaining winners) – but this is only possible with an integrated data management strategy and single CRM system.

- Further moves towards commercialisation may be required, potentially in areas of provision of finance, where uncertainty in financial markets about the future results in tightening of the availability of lending. Shared ownership of business or assets could be considered as part to a financial support offering.

    - The importance of culture change in any commercialisation initiative should be recognised; internal commercial awareness could be addressed with a secondment programme for council employees and by inviting business people to second into the councils.
    - Further public private collaborations may be considered to leverage the ability of the councils to borrow relatively cheaply and to 'de-risk' investments for the private sector

- Further land and property portfolio management could offer required working space to businesses (including additional incubation provision) and financial returns. A flexible approach to exchanging employment land for housing (and vice versa) has proven successful in terms of business rates generation and may be considered further

- Start-up support (largely ignored since the demise of Business Link in 2011) will become even more important, if tightening financial circumstances force more individuals into considering self-employment as an option without the required skills and resources to succeed.

- Consideration could be given to longer term project funding initiatives (with LEP's/other LA's for critical mass) to replace European funding and/or enhance any future UK Government programmes.

- Continuing to lobby and influence policy wherever possible (locally, regionally (LEP's) and nationally, to better understand future implications, effectively plan ahead and try to steer outcomes to the benefits to the local area. With the stated intent of the current Government to be interventionist, opportunities should exist to influence business support initiatives.

- Establish if/how LA's could fund capital projects; satisfying market need and the desire to buy/sell property and balance a portfolio with a medium to long term return. LA's ability to access relatively inexpensive borrowings could give opportunity for equity funding of business.

'*Collaborate, collaborate, collaborate – the place is more important than organisational structures'*

Recommendation
Prioritise and build into current and future action plans the above points

Externally facing considerations;

As this project has progressed, it has become increasingly clear that on a regular basis more information on what Brexit will mean will emerge. Further and on-going engagement with stakeholders, large businesses and SME's therefore is probably required to ensure that future actions by the council are relevant, appropriate and timely.

Consideration could be given to an exercise similar to 'Surfacing the National Offer' conducted by the LEP's on behalf of DIT in 2013; identifying and collating information and intelligence regarding key business assets in the local economy. The specific implications of Brexit could then be considered and responded to for each. Assets would include; key employment sites and business parks, centres of excellence, sectors and sector bodies represented, business clusters, business support organisations, higher and further education establishments and other strategically important employers.

'Put real resource into partnerships - in order to create a loud enough voice to be listened to – and be part of a large enough geography (that creates more wealth and new homes than most others)'.

Recommendations

A structured business engagement and understanding project could be instigated, adopting an agreed primary research approach comprising surveys, direct one to one business interviews, and focus groups, to produce qualitative and quantitative data to establish perceived needs and consider directly relevant interventions.

Collaboration with the Chamber of Commerce and engagement with a broader group of SME's could be considered.

A continued commitment to one to one engagement with larger and strategically important employers (Key Account Management) should move forward.

8. Conclusion and Summarised Recommendations

The Councils of Cherwell and South Northamptonshire have taken early action to recognise the local implications of Brexit and to palm actions to mitigate any negative impact upon the economy, and to maximise the opportunities that will emerge. This report outlines the current position as we know it and makes recommendations based upon this, grouped into six areas of focus. The key recommendations for each can be summarised as follows;

Trade

- Support existing exporters to look for new markets
- Help new exporters consider markets unaffected by Brexit and address any future tariff concerns with European trading partners

Investment and Foreign Direct Investment

- Work with partner's to emphasise the assists of the area, to overcome any negative perceptions once the UK is not part of Europe

Productivity and Business Support

- Further enhance Key Account Management

Labour and Skills

- Work to enhance perception of less favoured sectors to secure the right quality/quantity of workers

EU Funds

- Consider selective bidding opportunities to secure funds that may to be available post Brexit

Challenges in predicting the post Brexit world

- Collaborate with Economic Heartland partners to lobby/address common issues/attract investment
- Smarter working (digital transformation) and further moves toward commercial activities (with private partner) may be required, alongside continued culture change
- Consider further work to understand/address business issues as Brexit approaches (and beyond).

Steve McAteer
Director, Deyton Bell Ltd.
March 22 2017

Contact: 07747 468733 or stevemcateer@deytonbell.com

Appendix A; Stakeholder Comments

From conducting stakeholder interviews to date, the following observations have emerged. Some respondents are quoted directly whist others requested that their views were not directly attributed to them.

Business Support Organisations

'Regional ED teams should be making their pitches into Whitehall and ministers' offices to ensure that the call is heard that initiatives including the Enterprise Europe Network which help link up businesses with opportunities across the continent and Horizon 2020 are still very much going to be important and open for UK companies. There is a precedent for this both for EEA and non-EEA countries, Norway AND Switzerland, who participate in INTERREG Europe programme which helps drive forward projects to foster research/innovation and SME competitiveness as examples.'

'This is an opportune time to start thinking about how to refashion regional funding delivery mechanisms. ERDF and ESF (funds) likely no longer going to be open to the UK post-Brexit…hence the Government/Treasury's commitment to guarantee those types of funds to 2020…but I have heard countless complaints about the complication of the process of firms/organisations applying for those. We need to use this period until we leave to begin thinking about how the replacement mechanisms for those should work and how the application procedures can be improved, as well what strategic objectives/headings funding should be focusing on. The same goes for beginning to brainstorm on how public procurement policy, tendering for local government contracts might work in a post-Brexit world.'

'LEPs have received mixed feedback, but I think they need to have a much more laser like focus not just on attracting inward investment, but particularly on outbound trade. At many of the LEP meetings I have been to, this often only receives a sweeping discussion where everyone agrees about the need to start thinking globally. DIT is soon to pilot its new export voucher scheme and I want to make sure that LEPs and local government/councils/new metro mayoralties etc. are closely engaged with that rollout, which means working with local and regional private sector staples like banks, other professional services on a campaign to encourage businesses to begin thinking at a much earlier stage about exporting and international trade. '
'One of the conundrums about Brexit is that it may force people to do and think globally even if being in the EU never really held us back from doing so before. That means pro-actively going out and building alliances and networks between sectoral trade bodies, universities, and training with counterparts outside the EU to help deliver on things like mutual recognition between accreditation qualifications and procedures, consortium funding initiatives etc. that will help spur two-way investment, exchange of ideas/talent, and ensure the message gets that out that we really are now serious about going global. I also think that, given other countries sometimes have bigger trade promotion budgets (China, Gulf, etc.), and that many businesses here who I speak to don't really have time and resources to jump on various trade missions, we need to invest more energy from this side of the pond in trying to encourage the above-mentioned kinds of bodies to come here with their trade missions to look at expanding trade and commercial ties.'

‘A lot rides on the Brexit negotiations as to whether the rest of the world will look at the UK as a less or more attractive trading partner. It’s great that we are being ambitious about setting up working groups with third countries that we don’t already have trade deals with through the EU with a view to being able to sign agreements with them after we leave, but that only covers one half of the equation. I am very concerned about what flouncing off without an agreement once the going gets tough and reverting to WTO rules would send to the world as a message about Britain’s place as a reliable, predictable trading partner.’

‘The EU is still by far –and will be for some time- our biggest trading partner, and it is vital that we do not start to send off signals that we think no agreement is better than one which might not give us as good as a deal as we have now – the latter of that is to some extent inevitable given we are leaving the EU. The uncertainty over what would happen to the vital mutual accreditation/regulatory cooperation between UK and EU agencies for sectors such as chemicals, pharmaceuticals, life sciences, automotive, financial services -if we suddenly broke off negotiations without a deal- is damaging to the prospect of continued rapid authorisation for those sectors’ products/services to be placed on our biggest market…no third country trade deals are going to make up for the lack of one with the EU.’

‘’The biggest single challenge that ED teams are going to face is the loss of European regional development funding via the various structural funds i.e. European Regional Development Fund, European Social Fund, LEADER, Rural Development Programme, maritime programme, cross-border Interreg programmes like North Sea and Two Seas Programmes etc.

Since 1975, the structural funds have provided the UK with £66 billion in regional development support. I don’t think anyone has any expectations that UK government will be so generous with any type of domestic regional funding programme post-Brexit. Indeed, one of the biggest problems facing local areas post-Brexit is that the UK has never had a fully funded, domestic, strategic and coordinated regional development programme for its nations and regions.

Instead, the UK has deployed ad hoc funding programmes such as Regional Growth Funding, City Deals, Regional Venture Capital Funds, devolution, Growth Deals etc. which often last only a few years and don’t often don’t represent new money. Whilst many English devolution deals are being praised for their long term perspective of 30 years with guaranteed funding, the reality is that no Parliament or government can bind another and force them to keep to funding commitments taken by a previous government.’

‘Without a doubt, increased efforts will be required by ED and inward investment teams to build new relationships with overseas businesses. The UK’s international reputation has taken a hit in the last six months and it will be necessary for ED teams to highlight the benefits of investing in the UK post-Brexit.’
‘Working with existing networks and contacts to build new relationships with UK businesses to better understand the political and economic changes resulting from Brexit. For example, German chambers of commerce are actively monitoring Brexit and advising members on how to manage risk and opportunity during the period of negotiations.’

‘Businesses engaged in exporting manufactured goods (or their supply chains) should be benefiting from the weaker pound and increased international demand which should offset expected slack domestic demand. However, if you import goods for sale or as part of your supply chain, then significant cost increases will have taken place with the fall in the pound.’

‘One key concern in the long term will be regulatory compliance and the cost of doing business. It would be unfortunate if the UK decided to completely junk all EU regulation on goods, services and regulated professions. Doing so would significantly increase costs for non-UK businesses wishing to operate in the UK and EU. Indeed, it will also increase costs for domestic manufactures who may have to comply with both UK domestic regulation as well as EU regulation. It’s an important point when you consider that most EU standards become the global standard.’

‘In the long term I wouldn’t expect significant damage to UK competitiveness or investor attractiveness. However, in the short to medium term, when accompanied with the potential to have 10 years of uncertainty over a future UK-EU trade deal, I believe this will damage investor confidence and could cause problems whilst businesses and investors wait to know the outcome of any deal.’

Other support organisations report that the immediate reaction from business has been a concern over skills availability; particularly in, for example, the logistics and construction sectors. This has been far more obvious as a concern than the potential difficulty of selling to Europe once outside the EU.

- Further they see a gap in funding caused by a lack of take up of ERDF opportunities – this could (may need to be?) addressed by councils who could also be facilitating, encouraging and leading ERDF projects, not leaving this to the LEP’s
- Sector focussed approaches remain important – not just key strategic sectors (e.g. Food and Drink, Advanced Manufacturing and Automotive, Logistics) but Construction, Health and Care and retail should be included for consideration.
- Cherwell/South Northants are already more business focused than SEMLEP which now (if not always) has too large a footprint to ever be truly effective at a local level and is reliant for intelligence from LA partners (similar for DIT)
- An enhanced large employer engagement strategy would be valuable.
- At a time when business support is more critical than ever (with uncertainty over finance, markets and currencies, the pipeline for grant funding needs more work. In addition as Growth Accelerator and the Manufacturing Advisory Service have gone, there is very little for Growth Hub’s to refer to – services are needed.
- Local Authority ED objectives should be to build on core LEP offer – providing the icing on the cake and filling gaps.

The British Chamber of Commerce and locally the Northampton Chamber are active in looking at Brexit;

BCC International Trade Survey: Europe to remain key export market despite Brexit vote
Businesses from across the East Midlands region, including Northamptonshire, remain committed to strong trading relationships with European customers and suppliers despite the UK's vote to leave the EU, according to the results of the British Chambers of Commerce's (BCC) International Trade Survey.

The results of the survey, based on the responses of 175 business people across the East Midlands show that companies surveyed continue to regard Europe as an important trading partner. Around three-quarters of respondents currently sell (77%) and source (76%) goods and services in the EU market.
The findings show that around a fifth (21%) of businesses across the region plan on putting more resources into exporting to the European market over the next five years. Europe also remains the market where the higher percentage of businesses (24%) are planning on allocating more resources to sourcing products and services from.

Responding to a question assessing whether the EU referendum has influenced their approach to exporting, nearly a third (21%) of businesses surveyed are looking to export more. The majority (67%) say the EU referendum hasn't changed their strategy for importing, while 14% say that they are interested in sourcing more internationally. However, there are signs of caution, with 13% looking to source less internationally, which may be as a result of the falling value of the pound making imports more expensive.

Thinking about future trade arrangements with Europe, businesses across the East Midlands surveyed consider the issues of tariffs; non-tariff barriers; and product standards, certification and compliance as the three top priorities for resolution in talks on a Brexit deal.

Paul Griffiths, Chief Executive Northamptonshire Chamber of Commerce said: "These results are an important reminder of the fact that it is businesses that trade, not governments. Although the likely outcome of the Brexit negotiations remains unclear, businesses still see Europe as a primary market for both selling and sourcing inputs – even after the UK leaves the EU.

"Looking ahead, businesses want the best possible terms of trade following the Brexit negotiations, whatever the ultimate model adopted. UK firms want tariffs, costly non-tariff barriers, and product standards to be at the top of the government's agenda for a future EU trade deal.

"The best news from this survey is that the EU referendum outcome has sparked a greater interest in foreign markets for a significant number of firms. For that very reason, UK companies need sustained, tangible and practical export support that helps them get their goods and services out to the world."

Posted by: Northamptonshire Chamber

Local Enterprise Partnerships

To date the Local Enterprise partnerships (and their respective Growth Hubs), although recognising clearly the potential range of implications for businesses of Brexit have not introduced specific support programmes. 'Cleary many sectors could be affected, including nuclear and atomic and space. Tariffs could make it less attractive for business to invest in the UK and will there be implications for pan European bodies (e.g. European Space Agency)'.

'Supply chain benefits will become very important – see the HPT network as a good example – the opportunity to copy places like Cambridge and create a 'golden glow'

'Business will still be reluctant to re-locate as the loss of a trusted labour force and supply chain benefits may be seen as too great. But new investors seem to be taking their time and postponing decisions.'

'The geographic advantages of our position on the Oxford Cambridge axis is highly important – and the rail link, expressway and HS2 will all continue to make the area highly attractive – though we must join together to make the advantages more widely known and counter negative views of the UK'.

'Skills – both a drain of good people back to their home countries (with the pound worth less and negative impressions of how the British now view them) and uncertainty about where staff will come form in the future – is a major concern to many employers'.

'Should labour mobility be incentives by employers and local authorities – do we need to think in radical new ways to avoid getting the same results (i.e. North South divide)?'

'Key assets will also become increasingly important i.e. Begbroke Airport and Science Park'

'Different and new partnerships will be needed to influence national decisions for the local good'

'Working even more closely with the private sector will be vital – de-risking investment decisions for them and creating stable economic conditions wherever possible. Be interventionist and provide funding? Ensure stability and demonstrate consistent supportive behaviours'

'Collaborate, collaborate, collaborate – the place is more important than organisational structures
'Local authorities will need to deliver differently; commissioning more – to both the private sector and parishes'.

'Put real resource into partnerships - in order to create a loud enough voice to be listened to – and be part of a large enough geography (that creates more wealth and new homes than most others)'.

‘5 key areas to focus on – action now recognising that the implications of Brexit will take time to materialise – but we need to address them now and continue to do so as circumstances change and clarity emerges;

- Get closer to European owned business (to help them influence investment decisions by their parent) and larger potentially mobile businesses; to avoid surprise and influence them to stay and invest further.
- Help businesses who currently trace in Europe to adapt and continue to thrive (new markets?)
- Work with potential exporters (enhance DIT services)
- Skills – recognise quality issues (finding and keeping high level skills (life sciences etc. but also logistics) with potentially tougher immigration rules) and quantity – for industries requiring lower level skills but in large numbers (leisure and tourism, health and care, agriculture)
- Work to improve productivity (to lessen any negative impact) particularly in lower profile secrets who do not traditionally innovate (again see care as an example). Work to raise the profile of such industries and encourage them as a career choice, not a stop gap.

Other Local Authorities

Overall an emphasis emerged for Local Authorities to be part of strategic solutions (lobbying for change and working collaboratively to deliver), not just tactically servicing local needs.

An overriding theme was to build in resilience for the councils and businesses; both to be fleet of foot, able to react quickly to changes in circumstances and uncertainty, and to not be overly dependent on small number of customers/markets/initiatives.

The main concern currently was for the future skills needs of business and how to react to this.
It is worth pointing out that not all Authorities are thinking seriously about Brexit yet (or at all in some instances in terms of reacting and shaping their own future).

Some specific points that were made included;

1. The need to have local plans in place, and consistency of support for growth, to overcome inertia caused by uncertainty (note the obvious need to have political buy-in in order to work in new ways).
2. A vacuum seems to be developing for investment in property initiatives due to uncertainty and private institutions hanging back
3. European funding – there is a lack of appetite and take up – opportunity to leverage funds/influence and drive partner activity and become specialist in large scale funded projects (capital as well as revenue (perhaps incubation property?)).
4. Capital projects could be taken on by Council's, subject to a willingness to take on risk; intervening to give support to the private sector and reducing their risk to keep the momentum for growth up.
5. Foreign owned and larger scale investors appear holding back – cheap money may encourage overseas investors to take the plunge (emphasize this in FDI propositions). Lack of confidence, access to funding (see above), fear of uncertainty which may change as time moves on and plans for Brexit become more transparent.
6. State Aid implications – no EU – no state aid?
7. Employment support and advice – skills development – not covered by LEP's effectively and needs further focus at a local level or the main (ESF funded programmes) will just be vanilla national initiatives?
8. Consider rates flexibility to encourage investment; as part of soft landings packages to compete where Enterprise Zone status does not exist.
9. The opportunity to be part of a unified voice should be high on the agenda. Speaking and having Government listen could ensure resources are deployed to where they will give the best return (i.e. Cherwell, South Northants, Aylesbury, MK etc.). Lobbying could also help influence future funding programmes and ensure these fit the new policy context.
10. The importance of the Oxford/Cambridge Expressway and train line cannot be overemphasized; these will make already successful towns even more so, irrespective of any negative consequences of Brexit Likewise HS2, Heathrow expansion

11. Local Authorities can change to meet new opportunities, including supporting investment and influencing policy; but will do so most effectively with a unified voice from like-minded organisations (or be drowned out by competing voices i.e. the devolved administrations).
12. Selecting which collaborations will bring the best chance of success (from amongst those involved in the debates about future unitary authorities, devolution and cross border work) may be necessary to avoid losing focus and using up scarce resources.

Higher Education

Three major concerns emerged (echoing the points made in the ‘A Catalyst for Change’ report ‘Implications, Risks and Opportunities of Brexit for Cornwall and the Isles of Scilly’ commissioned by the CIoS Futures Group - January 2017.

1. Obvious concerns about the number of overseas students applying to UK Universities and studying, with uncertainty about future restrictions which could limit access to study, and post graduate opportunities to work here.
2. Risks regarding research opportunities and collaboration across Europe (including risks to funding despite the Government currently stated priorities for innovation, science and research).
3. Lack of other European funds (i.e. Erasmus) which currently support cross Europe exchange programmes.

Interestingly however, a view was expressed that the implication of the future focus on Higher Apprenticeships, and the apprentice levy, would have a significantly greater impact upon the HE/FE sectors and businesses, and stakeholders should focus on working together to maximise the opportunities of this initiative.

Appendix B; Methodology

We have implemented a successfully proven 5 stage approach to deliver the project.

Stage 1: Initiation
A project initiation meeting to agree the final details of the project timetable, costs, methodology and required outputs (see below). Agreement of stakeholder interviews required as part of the project and the contact/introduction method for these.

Stage 2: Stakeholder Engagement
Face to face meetings were held wherever possible but tight project timescales required telephone interviews with some stakeholders in order to complete this stage promptly.

Stage 3: Desk based research
We have carried out extensive desk based research to gain and use this intelligence, together with insight gathered from other sources, to inform the interim report.

We have sought additional input from commentators on key issues, third party experts in key subject matter areas and stakeholders.

In addition to this we have drawn on our own knowledge and experience of economic development, business engagement, export promotion and inward investment to inform the interim report.

The research focuses upon the considerations below and this stage resulted in this interim report summarising findings, offering commentary, outlining initial thoughts and previewing possible actions for CDC and SNC.

Stage 4: Reporting
Throughout the project we have provided regular up-dates (bi-weekly) to the project sponsor, giving details of progress. Following the interim report which has already been submitted, this final report is being submitted on March 22 2017. In the initial work plan below time has been allowed for feedback on our draft report to be collated and fed back to us before production of the final report.

Stage 5: Presentation of findings
Following sign off of the final report we will be available to prepare materials and carry out presentations of the findings and recommendations, as required, to internal and external stakeholders, and offer support to build a case for the LGA to consider a similar programme of assessment to be implemented more widely.

Appendix C

Timetable

Action	When by	Who by	Where	Notes
Meeting to agree project brief (methodology, timetable, costs)	2/12/16	Deyton Bell Adrian Colwell	Bodicote Towcester	
Meetings with agreed list of stakeholders	22/12/16	Deyton Bell	Oxfordshire Northamptonshire Central Bedfordshire	*Some interviews may need to be via telephone for expediency*
On-going progress briefing notes/calls	2/12/16 onwards	Deyton Bell supply to Adrian Colwell	Remote	*e-mail notes and telephone calls as agreed*
Desk based research to inform the reports	2/12/16 - 20/1/17	Deyton Bell	Remote	
Follow up interviews as required	20/1/17	Deyton Bell	Remote	*To validate research and gain additional information*
Interim report produced	3/2/17	Deyton Bell	Remote	
Meeting to discuss interim report	w/c 13/2/17	Deyton Bell Adrian Colwell	Bodicote Towcester	
Draft final report produced	14/3/17	Deyton Bell	Remote	
Feedback on draft report	17/3/17	Adrian Colwell	Bodicote Towcester	*CDC/SNC to collate/supply feedback*
Final report delivered	22/3/17	Deyton Bell	Remote	*Final report to incorporate feedback on draft from CDC/SNC*
Meeting to agree next steps	TBC	Deyton Bell Adrian Colwell	Bodicote Towcester	
Presentations to stakeholders	TBC	Deyton Bell	TBC	
Support for materials for LGA if required	TBC	Deyton Bell	TBC	

Appendix D - Stakeholder Interviews

With direct influence;				
Organisation	*Name*	*Title*	*Interview details*	*Notes*
Aylesbury Vale District Council	Tracey Aldworth	Director	27/1/17	
Buckinghamshire District Council	Neil Gibson	Managing Director; Transport Economy Environment	2/2/17	
Cherwell District Council	Steven Newman	Senior Economic Growth Officer	12/12/16	
Northamptonshire Chamber of Commerce	Simon Dishman	Policy Executive	3/2/17	
Northamptonshire Growth Hub	Malcolm Johnston	Executive Director	19/1/17	
South Northamptonshire District Council	Greg Ward	Senior Economic Growth Officer	19/12/16	
SEMLEP	Richard Thompson	Adviser - Velocity Growth Hub	20/12/16	
	Judith Barker	Programme Manager	19/12/16	
	Stephen Catchpole	Chief Executive	13/2/17	
OLEP	Nigel Tipple	Chief Executive	6/2/17	
Other local, regional and national stakeholders				
Breckland Council	Mark Stanton	Ex Head of Service (Economic Development)	30/1/17	
Department for International Trade (Foreign Direct Investment)	Steve Clarke	Regional Partnership Manager	20/12/16	
Department for International Trade (Trade)	Pat Smith	Regional Partnership Manager	21/12/16	
Kettering District Council	Liz Wade	Interim Director – Commercialisation	11/1/17	
MEPC	Roz Bird	Commercial Director Silverstone Park	6/2/17	
St Albans District Council	Dean Russell	Consultant - Digital Transformation	10/1/17	
Stratford on Avon District Council	Dave Webb	Director	5/1/17	
	Nancy Singleton	Venture House Business Centre Manager	23/2/17	
University of Bedfordshire	Nick Lancaster	Professor and Director of Innovation and Enterprise	23/1/17	

Other relevant opinion formers				
ACL European	Andy Luff	Managing Director	25/1/17	European Project Management consultancy
My Local Economy	Glenn Athey	Managing Director	16/1/17	Econometric Consultancy
Regional, national and international bodies with views and potentially impacted by Brexit				
East of England European Partnership	Brussels office			
Institute of Directors	Policy Unit			
Other Local Authorities;	Brent, South Cambridgeshire, Wakefield, Westminster			
National Embassies in the UK;	Bolivia, Greece, Singapore, Ukraine			
US States/Cities	Pennsylvania. Pittsburgh			