APPENDIX 1

Brexit: An Economic Impact Assessment for Trafford

January 2019

CONTENTS

Introduction and Context

Purpose of this Paper

This paper has been prepared to assess the potential economic implications of Brexit for the borough of Trafford. Given the on-going uncertainty about the nature of Britain's relationship with the EU upon leaving and whether a deal will be agreed before 29th March 2019, the date on which the UK will leave the EU, this paper looks at two possible outcomes: leave on the basis of a Withdrawal Agreement, or leave without a deal.

Background and Ongoing UK Government Negotiations

On June 23rd 2016, Britain voted in a referendum to leave the EU. Since this date there have been discussions and negotiations within government and between the UK and EU about what the future relationship will look like, which remain ongoing. Future Key Brexit dates are outlined below:

Future Key Brexit Dates

21st January 2019
If no deal is agreed by this date – then the Prime Minister must announce a no deal giving MPs 14 days to vote on: leaving with no deal; seeking an extension of Article 50; or holding another referendum.

29th March 2019
Britain's formal exit date from the European Union, two years after the triggering of Article 50. If a Withdrawal Agreement has not be agreed by this time, all current EU legislation and agreements would cease to apply from this date.

31st December 2020
Planned end of the transition period. Assuming a Withdrawal Agreement is in place, until this date, the UK will essentially function as if it remains a member of the EU (including continuing current funding and regulatory arrangements), although will no longer be part of the EU's decision-making process.

Following the defeat in the House of Commons of the current Withdrawal Agreement on the 15th January, the government has agreed to consult senior parliamentarians in order to negotiate how the current proposals can be adapted to secure a majority in the House of Commons. However, opposition parties and others have stated their preference for various options such as a customs union, a Norway or Canada style trade deal or a second referendum. There are also suggestions that the Article 50 deadline may be extended. At the time of writing this report, it is unclear how these negotiations will conclude.

Withdrawal Agreement

A Draft Withdrawal Deal was published on 14th November, setting out the terms on which the UK will leave the EU. On 25th November 2018 the Withdrawal Agreement was agreed by the UK and EU. The Agreement includes proposals for the transition or implementation period during which EU laws will continue to apply, which is intended to run until 31st December 2020. In effect, the UK will continue to follow EU rules and regulations until the end of 2020, and from a business perspective, the UK will not effectively leave the EU until 2021.

During this transition period, there will be further negotiations to establish the long-term future relationship between the UK and EU. This means that the uncertainty over the permanent, long term trade arrangements remains for businesses. If future trade arrangements cannot be agreed within this time, then the UK and EU can jointly decide to extend the transition period into 2021.

If there is no deal on the long-term relationship that makes a hard border on the island of Ireland unnecessary, the "backstop" comes into force. The “backstop” is one of the most contentious elements of the Agreement as it would keep the whole UK in what the Agreement calls "a single customs territory", effectively a customs union with no tariffs on trade between the UK and the EU, where the UK would be unable to set tariffs on trade from third countries that is lower than the EU's.

There would be extra non-customs checks on some types of goods passing between Northern Ireland and the rest of the UK. Britain would have to abide by EU rules on, for example, state aid, competition, the environment, tax and labour condition. These measures are intended to ensure that UK businesses are not able to undercut EU industry.

Another feature which makes the “backstop” controversial is that Britain cannot unilaterally decide to leave the “backstop” - it must be jointly agreed by the UK and EU.

Future Relationship

In July 2018, a proposal for a deal for Brexit was agreed by the Cabinet at the Prime Minister’s country residence, Chequers. The Chequers Deal laid out the UK’s ambitions for its future relationship with the EU. It proposed:

- The UK maintain a common rulebook for all goods and regulatory flexibility for services, with tax or tariff-free trade with the EU, while leaving the UK free to pursue trade deals outside the EU.
- A new customs deal would be devised in which the UK would apply domestic tariffs and trade policies for goods intended for the UK, and their EU equivalents for goods which will end up heading into the EU. As EU tariffs would be collected, a hard border in Ireland could be avoided.
- The end of the free movement of people from the EU, but include a “mobility framework” allowing easy movement for work or study.

The Chequers Deal was dismissed by EU leaders at a summit in Salzburg on 20th September 2018, with the President of the European Council stating that it “will not work” and “risks undermining the single market”.

On 25th November 2018 a Political Declaration was agreed by the UK and EU along-side the Withdrawal Deal. The document sets out the scope and terms of the future relationship and echoes some of the messages set out in the Chequers Deal, namely the ambition to minimise trade barriers and ending the free movement of people. It proposes trade in goods without tariffs or quantitative restrictions and on services the aim is an agreement to liberalise trade between the UK and EU, on the basis of regulations in the country where the service is provided.

While high level principles have been agreed, there is some distance between the UK’s proposal for long term trade arrangements and the EU’s position.

No Deal

If the UK and EU fail to sign a Withdrawal Agreement under the terms of the Article 50 process, the UK would leave the EU on 29th March 2019, with all EU legislation and agreements ceasing to apply to the UK. In this scenario, trade between the UK and EU would revert to World Trade Organisation (WTO) rules**.** This would mean that, in the absence of a Free Trade Agreement, the UK and EU would have to impose the same tariffs on trade with each other that they impose on other WTO members.

The implications of this for companies who import from or export to the EU would be significant, and Government is urging businesses to prepare for No Deal, while stating that such an outcomes is both undesirable and unlikely.

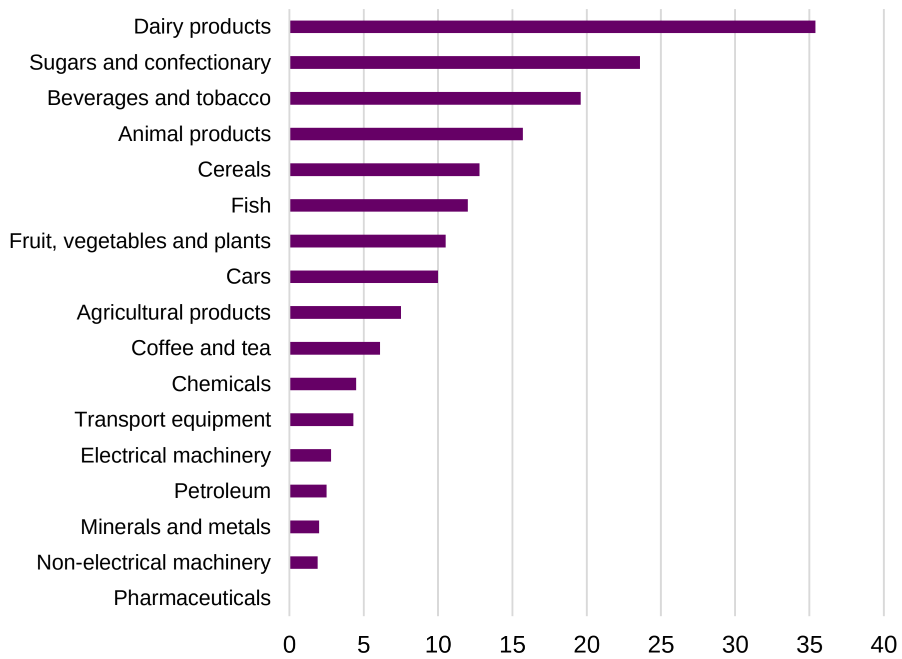
WTO Rules

Every WTO member has a list of tariffs (taxes on imports of goods) and quotas (limits on the number of goods) that they apply to other countries. These are known as their WTO schedules. Under the 'most favoured nation' rule, each member country must grant the same market access to all WTO members. This means that exports to the EU would be subject to the same customs checks, tariffs and regulatory barriers that the UK and EU currently charge on trade with countries such as the US.

The average tariff on imports into the EU is low - around 1.5%. However at a sectoral level, tariffs vary dramatically, for instance animal and dairy products have averages of 16% and 35% respectively. In addition, for cars and car parts the tariff rate is 10%. Since most UK car production is exported, and uses imported parts, the impacts would be magnified.

Average EU tariff by product type

Source: WTO World Tariff Profile



Trafford has a number of companies involved in sectors, such as food and drink, which would be affected by WTO tariffs. The No Deal scenario would result in immediate changes, with implications for supply chains and custom arrangements, and evidence suggests that very few businesses have made arrangements to deal with the immediacy of this scenario.

Trafford Economy and Workforce

Workplace Employment

Approximately 152,000 people worked in Trafford in 2017, accounting for 11.4% of Greater Manchester's employment.[1] The table below reveals employment in Trafford is concentrated in wholesale and retail trade; professional, scientific, and technical services; and administrative and support service activities which together account for 46.4% of employment in Trafford, compared to 35.4% in Greater Manchester.

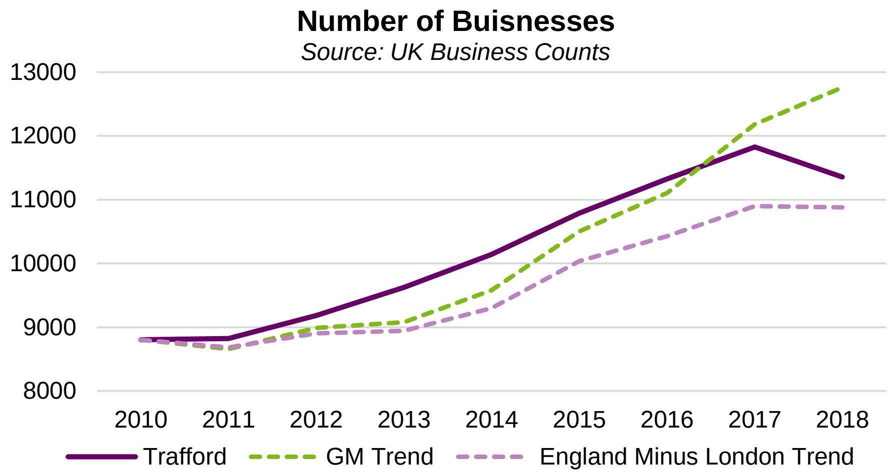
The Location Quotient indicates the relative concentration of employment in one location compared to the national average (minus London) – a location quotient of more than one indicates a higher concentration of employment, one means an equal concentration and less than one a lower concentration. Sectors with high LQ scores in Trafford include arts, entertainment and recreation (1.89), professional, scientific, and technical activities (1.85), real estate activities (1.72), administrative and support service activities (1.55) and financial and insurance activities (1.53).

Employment by Sector, 2017			
Industry (Ranked Order)	**Number of Jobs**	**Percent**	**LQ**
Wholesale and retail trade	28,500	18.8	1.17
Professional, scientific and technical activities	21,500	14.1	1.85
Administrative and support service activities	20,500	13.5	1.55
Manufacturing	10,500	6.9	0.74
Human health and social work activities	10,500	6.9	0.53
Construction	8,500	5.6	1.10
Education	7,500	4.9	0.55
Accommodation and food service activities	7,000	4.6	0.62
Arts, entertainment and recreation	7,000	4.6	1.89
Transportation and storage	6,000	3.9	0.82
Information and communication	6,000	3.9	1.12
Financial and insurance activities	6,000	3.9	1.53
Real estate	4,500	3.0	1.72
Public administration and defence	3,500	2.3	0.62
Other service activities	2,250	1.5	0.73
Water supply; sewerage, waste management	1,125	0.7	1.00
Electricity, gas, air conditioning supply	1,000	0.7	1.42
Agriculture, forestry and fishing	200	0.1	0.08
Total	**152,000**	**100**	
Source: Business Register and Employment Survey			

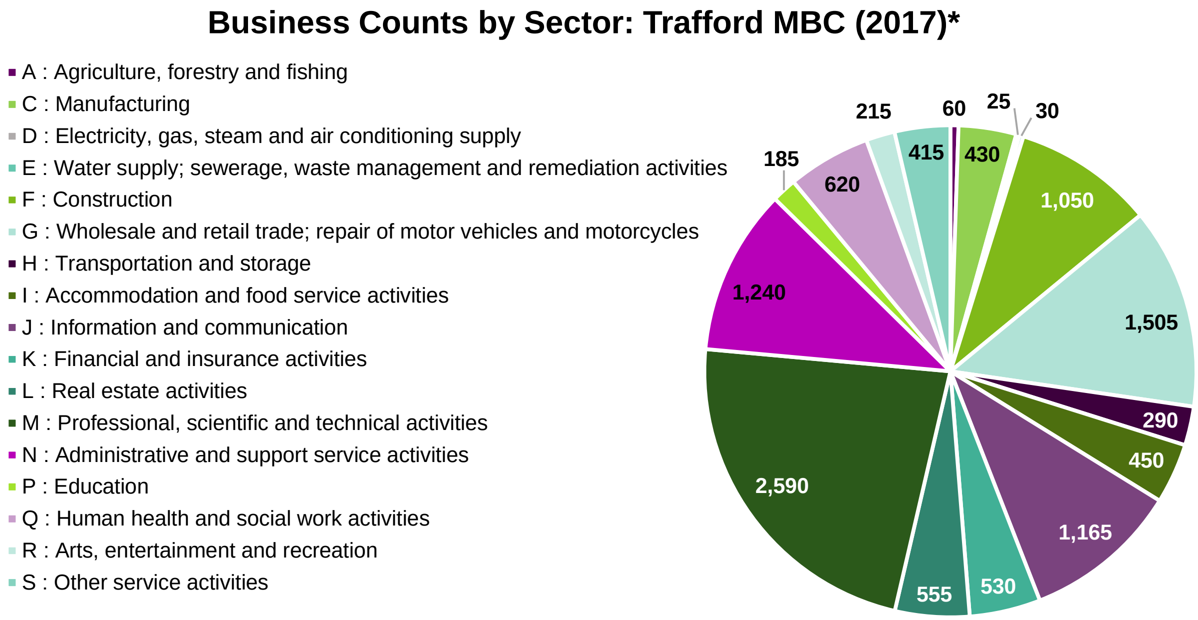
Business Base

According to ONS UK Business Counts data for 2018, there are 11,355 businesses based in the Trafford area accounting for 10.8% of the Greater Manchester business base. Since 2010 there are an additional 2,550 businesses operating in Trafford, representing a growth rate of 29% (compared to 45% experienced across Greater Manchester and 24% nationally).

[1] BRES, 2017



Looking at the business base in Trafford by sector reveals businesses are concentrated in service industries in addition to manufacturing and construction. Notably there are 2,590 professional, scientific and technical businesses, accounting for more than 1 in 5 businesses in the Trafford area (23%), compared to 16% across Greater Manchester and 17% nationally (excluding London).



Source: UK Business Counts
** Trafford has no business in sectors B, O, T and U.*

Trafford has a very strong, diverse economy, accounting for 8.4% of Greater Manchester's population, 11.4% of employment and 10.8% of businesses, with strong future growth prospects under current economic forecasts.

In Trafford, significant numbers of business and jobs are in sectors expected to be affected by either a reduced labour pool and/or new trade arrangements, including health and social care, the visitor economy, construction, transport and distribution and food and drink. The potential impact of leaving the EU under a Deal or No Deal on Trafford business sectors is covered later in this report.

The Economic Impact of Brexit on Trafford

Economy

Short Run Impacts

In the event of a No Deal Brexit a further fall in the value of the sterling is likely, leading to higher import prices, inflation and a fall in real wages. In addition there would be significant disruption to supply chains.

A significant risk to the UK comes from a fall in consumer spending, business confidence and investment. In the event of No Deal firms will face rising input prices as a result of a fall in the value of the pound and the introduction of tariffs on EU imports. In addition, inflation and poor prospects for wage growth will hamper consumer spending.

A No Deal outcome may increase the likelihood of businesses relocating to the EU. This has already been seen by Japanese electronics' manufacturer Panasonic who announced that it's moving its European HQ from the UK to The Netherlands, and insurance and reinsurance market Lloyds of London announced in May that it will establish an insurance company in Brussels.

Long Run Impacts

A study from the IMF estimates that five years after a No Deal Brexit, GDP will be 4% less compared with not leaving the EU. In addition, a report from the Department for Exiting the European Union (DExEU) in early 2018, considered the 15 year cumulative impact on GDP under three trade models: European Economic Area (EEA), Free Trade Agreement (FTA) and WTO-only. EEA option would mean staying in the single market like Norway, FTA is similar to the EUs relationship with Canada and most comparable to the Chequers Deal, and the WTO-only would look like a No Deal outcome. The report estimates that cumulative GDP would be lower under all options by an average of 1.6 percentage points under EEA, 4.8 percentage points under a FTA and 7.7 points under WTO rules.

Analysis by the Centre for Economic Performance (CEP) in 2016,[2] predicted annual costs of £850 per household with a 'soft-Brexit' and £1,700 per household with a 'hard Brexit'.

The CEP estimates that a "No Deal WTO rules only" scenario would reduce the UK's trade with the EU by 40% over ten years. This reduced trade would mean a fall in income per head of 2.6% per year (net of the savings from no membership fees). There would also be longer term negative effects from lower investment and slower productivity growth, which are estimated to be 3.5% of GDP.

The CEP analysis in 2017[3] modelled the impact of a hard and soft Brexit for Local Authorities, looking at the percentage change in GVA. By a 'soft Brexit' the analysis referred to a scenario where the UK joins a free trade area with the EU, and a 'hard Brexit' referred to a situation where the UK trades with the EU under WTO rules, these categories are broadly the same as the outcomes explored in this report. The average effects were estimated to be negative under both scenarios and more negative under hard Brexit.

This analysis highlighted disparities in the estimated impact across the country, with the variation higher under a 'hard Brexit'. The variation in sectoral specialisms between Local Authorities in part helps to explain the difference in impact on Local Authorities, with some Local Authorities that are particularly specialised in sectors estimated to be badly hit by a hard Brexit. The sector which they predict will be most negatively impacted under a soft or hard Brexit is Chemicals (-8.9% or -15.9% change in GVA). Trafford is expected to perform relatively poorly compared to the rest of Greater Manchester and the UK, potentially due to its sectoral specialisms in exporting industries such as food

[2] The Consequences of Brexit for UK Trade and Living Standards, Centre for Economic Performance, 2016
[3] The Local Economic Effects of Brexit, CEP/LSE, 2017

and drink, ranking 28th out of the 380 UK Local Authorities by size of negative impact, with GVA expected to be 2.6% less under a hard Brexit (No Deal type scenario) or 1.3% less under a soft Brexit.

Impact of Brexit on GVA in Greater Manchester, (% change)			
	Soft Brexit	**Hard Brexit**	**Rank**
Salford	-1.4	-2.7	23rd
Trafford	**-1.3**	**-2.6**	**28th**
Manchester	-1.2	-2.5	69th
Stockport	-1.3	-2.4	86th
Bury	-1.3	-2.4	96th
Bolton	-1.2	-2.2	151st
Rochdale	-1.3	-2.2	171st
Wigan	-1.1	-2.0	234th
Oldham	-1.2	-2.0	237th
Tameside	-1.1	-1.9	295th

Source: CEP/LSE The Local Economic Effects of Brexit, 2017

The CEP have estimated the long run economic consequences of the proposed Withdrawal Deal, assuming the UK stays in a permanent customs unions in line with the "backstop" (a potential outcome of the proposed agreement), compared to a No Deal outcome.[4] They estimate that the Withdrawal Deal would lead to a reduction of GDP per capita by between 1.9% and 5.5% over a ten year period, and a No Deal outcome would lead to a reduction of between 3.5% and 8.7%.

The Bank of England has warned about a No Deal scenario suggesting that the UK economy could shrink by 8% in 2019 against its current forecast if there was no transition period, while unemployment could rise to 7.5%.

Recent Government analysis modelled the long term economic impacts, 15 years after the new UK-EU relationship has been established, compared to staying in the EU. The analysis concludes that under a White Paper scenario (Chequers) GDP per person would fall by 0.6%, however considering likely falls in migration and existence of non-tariff barriers this figure rises to 2.7%. In the event of a No Deal, the analysis forecasts GDP per person could be between 6.3% and 9% less than the status quo position of staying in the EU.

Forecast Employment Growth

The Greater Manchester Forecasting Model (GMFM) predicts there will be an additional 20,300 jobs in Trafford by 2036, a growth rate of 12.4% over the 20 year period. In comparison, Greater Manchester is expected to see employment growth of 8.9%. Sectors in Trafford which are expected to grow by the most in absolute terms include professional, scientific & technical activities; administrative & support services activities; wholesale and retail trade; and construction.

The latest forecast suggests that Trafford will see an increase of 12,000 jobs by 2026, more than half of the 20 year forecast.

Trafford Employment and GVA Growth Forecasts						
	2017	**2018**	**2019**	**2020**	**2021**	**2026**
Total employment (jobs in 000's)	164	165	166	167	169	176
GVA £m	7,295	7,420	7,563	7,747	7,948	8,853

Source: Greater Manchester Forecasting Model

[4] The economic consequences of the Brexit deal, CEP, 2018

The consequences of leaving the EU have recently been modelled by a number of agencies, including the Bank of England. Under various deal scenarios, there will be a reduction in economic growth over a five year period, although new trade deals could off-set this decline. The scale of decline would lead to muted economic growth, not to a downturn or recession.

The No Deal scenario would have a much bigger negative effect on the UK economy, on a scale which would impact on the Trafford employment base and economy.

With the forecast of more muted economic growth, leaving the EU with a Deal is likely to lead to more limited employment growth and a lower level of GVA for Trafford, although this could be off-set post 2025 by new trade deals, however, the average trade deal takes four years to negotiate and two years to implement.

By 2026, under the a Deal scenario, more people will be employed in the Trafford economy, but the increase will be at half the value compared to current forecasts i.e. 6,000 additional jobs, rather than 12,000, with a reduction of circa £550m in terms of GVA.

Trafford Employment and GVA Growth Forecasts: Potential Impact of Leaving the EU with a Deal

	2017	2018	2019	2020	2021	2026
Total employment (000's)	164	165	166	167	169	176
With Deal	*164*	*165*	*165*	*165*	*166*	*170*
GVA £m	7,295	7,420	7,563	7,747	7,948	8,853
With Deal	*7,295*	*7,295*	*7,367*	*7,441*	*7,516*	*8,298*

Source: Greater Manchester Forecasting Model and ekosgen estimates taking account of several economic forecasts of impacts under Deal and No Deal scenarios, including the Bank of England and IMF

Leaving the EU with No Deal, applying an assumption of a severe economic impact, would have a much more profound effect on the Trafford economy, with a sharp fall in GVA, reduced employment and markedly increased unemployment.

By 2026, under No Deal, after a significant fall in employment, the number of jobs will only recover to 2017 levels by 2026. The fall in employment will result in a significant rise in the unemployment rate up to 2021, returning to 2017 levels by 2026. While the GVA of the Trafford economy in 2026 will be greater than in 2017, it will be much less when compared to the current economic forecasts.

Trafford Employment and GVA Growth Forecasts: Potential Impact of Leaving the EU with No Deal

	2017	2018	2019	2020	2021	2026
Total employment (000's)	164	165	166	167	169	176
No Deal	*164*	*165*	*160*	*157*	*157*	*164*
Unemployment	2,600	2,600	2,500	2,500	2,400	2,200
No Deal	*2,600*	*2,600*	*3,600*	*4,600*	*5,000*	*2,600*
GVA £m	7,295	7,420	7,563	7,747	7,948	8,853
No Deal	*7,295*	*7,430*	*6,984*	*6,984*	*7,123*	*7,842*

Source: Greater Manchester Forecasting Model and ekosgen estimates taking account of several economic forecasts of impacts under Deal and No Deal scenarios, including the Bank of England and IMF

While there is a consensus that a No Deal scenario would have a severe and immediate impact on the UK economy, there is less of a consensus on the extent to which the ability to negotiate new trade agreements from 2019 onwards would off-set the initial impact.

Forecast Sectoral Employment Losses

The No Deal forecasts indicate a significant slowdown in economic growth in the UK for a number of years, falling employment and rising unemployment. This will impact on the commercial and residential property market, feeding in to the construction industry, a lower level of consumer expenditure, impacting on the retail and distribution and visitor and leisure economy, as well as the impact on the financial and manufacturing sectors through the new trade/tariff arrangements and the impact of company investment and re-investment decisions. The total jobs losses by key sectors are set out covering the 2018-2021 period, although employment numbers are likely to recover in later years.

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Trafford: Possible Employment Losses Under No Deal 2018-2021	
Industry (Ranked Order)	**Number**
Wholesale and retail trade	-600
Professional, scientific and technical activities	-500
Administrative and support service activities	-700
Manufacturing	-800
Construction	-1,000
Accommodation and food service activities	-800
Arts, entertainment and recreation	-600
Information and communication	-500
Financial and insurance activities	-800
Real estate	-900
Transportation and storage	-300
Human health and social work activities	-100
Other	-400

Source: ekosgen estimates using the Greater Manchester Forecasting Model and forecasts of sectoral impacts from various sources including IMF and Bank of England
**education not included as no short-term estimated impact upon education*

The speed at which employment losses would be recovered will depend on long term trading arrangements with the EU and new trade arrangements agreed with other countries around the world.

Business Impact under Deal and No Deal Scenario

Potential Implications for Trade and Access to Markets

Both the Withdrawal Agreement and the Political Declaration propose to maintain a common rulebook for goods and have regulatory flexibility for services, avoiding the likely negative effect of a loss of common trade terms for goods with the rest of the EU.

In the short term No Deal will significantly restrict the UK's access to markets. The UK will no longer be part of the EU trade agreements currently or partly in place with 83 countries, plus pending agreements with eight countries and ongoing negotiations with a further 21. These include agreements with large economies like Japan, Canada, China and India.[5] In the long term, however, a No Deal scenario would allow the UK freedom to negotiate its own independent trade deals.

Exports

The number of EU exporters in the UK stands at more than 119,800, accounting for 78% of all exporter businesses. Of this figure, the North West accounts for 10.6% of these exporters with approximately 12,900 businesses. There is no data available for Local Authority areas, but the regional data would suggest over 500 businesses in Trafford export to the EU. Based on the latest employment figures, an estimated 12,250 to 13,570 of these jobs associated with exports to the EU are in the Trafford area.

Increased tariff and non-tariff costs under No Deal would have an impact on exporters in the North West, who account for 10.6% of the total EU exporters for the UK. Trafford might be particularly affected due to the high EU standard tariffs on food and beverage manufacturing which has a location quotient greater than 1. Additionally, there are concerns that suggest the services sector will be experience a negative impact from the outcome of Brexit.[6]

Imports and Supply Chain

The value of imports from the EU to the UK is currently valued at £256 billion and approximately 55% of total imports. The North West accounts for 8% of these EU imports, totalling £20.6 billion, with estimates for Greater Manchester and Trafford totalling at £8 billion and £0.72 billion respectively. The number of EU importers in the UK for 2017 is approximately 163,500, and accounts for 70% of all importer businesses. Of this figure, the North West accounts for approximately 10% with 16,200 EU importer businesses in the region and, therefore, an estimated 700 EU importers in Trafford.

In the short term a No Deal Brexit will lead to increased or uncertain processing times for goods at the border which may severely disrupt supply chains, particularly for those manufactures who rely on 'just-in-time' delivery of parts or inputs. In addition, the impact of a fall in the value of the sterling and tariffs on importers (and hence consumers) are likely to be significant potentially leading to inflation, particularly in agriculture products where WTO tariffs and quotas remain high.

EU Regulation

The EU imposes legislation and specific regulations which businesses operating in EU member states and trading in the EU market must follow, including regulations affecting product specifications, competition, employment terms, health and safety and consumer protection. There are significant costs for businesses associated with these regulations, with the regulatory administration and the

[5] The Cost of No Deal Revisited, The UK in a Changing Europe, 2018
[6] PwC, 'Brexit Monitor: The Impact of Brexit on (Global) Trade'. 2016

practical aspects of putting regulations in place, with costs particularly burdensome for small businesses[7].

Open Europe estimates that EU regulations cost the UK economy £33.3bn a year, based on the 100 costliest regulations. The working time directive is estimated to cost £4.2bn per year, given Trafford's share of UK businesses the estimated annual cost to Trafford businesses is £17.9m. However, whilst the savings to businesses through repealing those relating to working time could be significant, the costs would be borne by workers (e.g. through longer working hours, reduced entitlement to paid holidays etc), and there is no guarantee that the government would wish to impose this.

Potential Implications for Business Investment

Foreign Direct Investment (FDI) in 2016 from the EU stood at £675 million, 56% of the total FDI into the UK for that year[8]. According to latest Annual Business Survey figures, there were 10,045 foreign owned businesses in the North West, totalling £88.5 million in turnover for 2016. Additionally, there were 4,617 EU 28-owned businesses in the North West, accounting for 11% of regional turnover.

Looking at Greater Manchester, there were 809 foreign owned businesses in the Local Enterprise Partnership (LEP) area, ranked 5th for LEP areas outside of London and the most out of the northern LEP areas[9]. Based on the proportion of businesses in Trafford in the Greater Manchester area as a whole, suggests there are c.87 foreign owned businesses in Trafford.

The latest *Department of International Trade* (DIT) figures, outlines a total 687 FDI projects initiated in the North West between 2012 and 2017. This included 232 EU FDI projects, creating 10,814 jobs[10].

There are a number of multinationals operating in Trafford. Attracting investment in part reflects the strength of Trafford and UK economies in their own right but also the access that they provide to the Single Market, although quantifying the relative importance of each factor is extremely difficult.[11]

EY's Attractiveness Survey UK (June 2018) reveals that there are concerns about the UK's long-term attractiveness with 30% of investors surveyed across Europe having said they were likely to move assets out of the UK in the future as a result of Brexit. The survey asked what the key concerns are with the UK after it leaves the EU. The largest concern (39% of respondents) was about the loss of access to EU markets, other concerns included the level of UK growth (30%), tariffs on imports (28%), tariffs on exports (24%), restrictions on labour mobility (22%), customs compliance costs (18%), diverging regulation (17%), border delays (13%) and level of UK political risk (12%).

Research looking at the short term and long term impact of policy changes and external shocks on foreign direct investment (FDI) into the UK from 1963 to 2014 found that the UK joining the European Economic Community and Single Market improved certainty and increased the long-term levels of inward investment to the UK, and were the only two events during this period which positively affected the long term trend.[12]

Trafford will be impacted particularly in a No Deal scenario by a loss of FDI, mainly from the EU, which is likely to affect future growth prospects. As many foreign owned companies compete for new investment within their company, some businesses already based in Trafford may lose out in future years to other locations within the EU.

[7] Federation of Small Businesses. FSB Manifesto European Elections 2014. Feb 2014.
[8] ONS, Inward Foreign Direct Investment (FDI) Involving UK Companies, Immediate and Ultimate Basis, 2014-2016
[9] Grant Thornton, Turning Up the Volume: The Business Location Index, 2015
[10] DIT, FDI Projects by UK Region (2012 to 2013 Tax Year to 2016 to 2017 Tax Year)
[11] House of Commons Library, *op. cit.*
[12] https://www.wbs.ac.uk/news/brexit-will-harm-foreign-investment-into-the-uk/

Labour Market and Access to Skills under Deal and No Deal Scenario

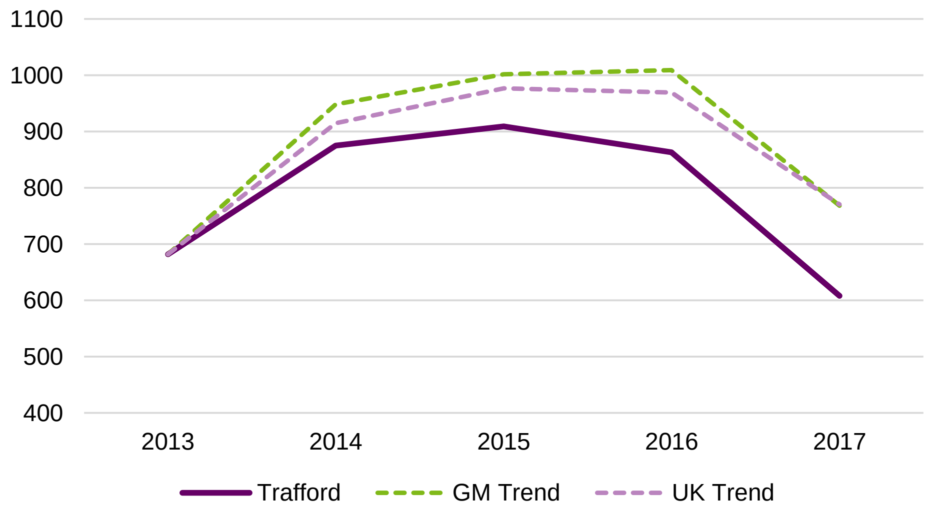
EU Migration

In 2017, approximately 10,000 (4.2%) of Trafford's population were born elsewhere in the EU, similar to the proportion across Greater Manchester (4.5%) but below the country-wide proportion (6.9%).[13] In 2017, 608 national insurance numbers were issued to EU applicants in Trafford, accounting for 57% of total registrations made by foreign nationals.[14]

Pre-referendum, the number of EU nationals entering the UK and registering for National Insurance numbers had been increasing for a number of years. After the referendum in 2016, the trend reversed: between 2016 and 2017 the number of National Insurance registrations to EU nationals entering the UK fell by 21%.

This trend was also seen in Trafford to a larger extent where the number fell by 30%, as well as across Greater Manchester by 24%. This drop in EU nationals has immediate and long-term implications for certain sectors of the economy.

EU National Insurance Registrations 2013-2017
Source: DWP, 2018



Sectoral impacts, as a result of restricting the freedom of movement following Brexit, are likely to depend on the share of EU-born migrants in each sector as well as local skills shortages in UK-born citizens and the level of unemployment. The Migration Observatory published statistics in 2018 on EU citizens employed by sector using the 2017 Labour Force Survey.

These statistics reveal that EU citizens are overrepresented in several sectors particularly manufacturing (12%), retail, hotels and restaurants (10%) and construction (9.2%). In absolute terms retail, hotels and restaurants had the largest number of EU citizens employing approximately one in four EU nationals, followed by public administration and education.

[13] Department of Work and Pensions (DWP), 2018
[14] DWP, 2018

The table below shows the estimated number of jobs held by EU nationals in each sector in Trafford. The estimates suggest the professional services, banking and finance and retail, hotels and restaurants sectors employ the largest number of EU citizens.

Estimated Jobs held by EU nationals by sector, Trafford					
Industry	**UK**	**EU**	**Non-EU**	**Total Jobs**	**Estimated EU Jobs**
Professional services, banking and finance	80.2%	7.6%	12.2%	52,500	4,006
Retail, hotels and restaurants	78.8%	10.0%	11.2%	35,500	3,544
Manufacturing	81.3%	12.0%	6.7%	10,500	1,256
Transport and communication	76.8%	8.5%	14.7%	12,000	1,017
Public administration, education and health	85.1%	4.6%	10.3%	21,500	986
Construction	85.2%	9.2%	5.7%	8,500	780
Other services	84.4%	6.4%	9.2%	9,250	589
Energy and water	87.1%	6.2%	6.6%	2,130	133
Agriculture, forestry and fishing	88.3%	8.1%	3.7%	200	16
Total				**152,000**	**12,327**

Source: ekosgen estimates, based on Migration Observatory, 2018 and BRES, 2017

A CEP analysis of the 2015 Labour Force Survey finds that EU immigrants are more educated, younger, more likely to be in work and less likely to claim benefits than UK-born citizens.[15] Around 44% of EU citizens in the UK have some form of higher education compared with only 23% of those born in the UK. At a time where many sectors are reporting skills shortages (across a range of skills levels), access to a wider pool of labour from the EU is important to the economy.

Potential Implications for Labour Supply

The free movement of people is a fundamental principle of the Single Market. All residents of member states have the flexibility to live and work where they choose in the EU. Businesses in Trafford benefit from having access to a larger labour pool than would otherwise be the case. Changes in migration rules could limit the flow of overseas nationals into Greater Manchester and Trafford. In the context of strong economic growth forecast and an ageing population, restrictions on labour movement could impact on the ability to deliver growth ambitions both in respect to the total workforce required and demand for skilled labour.

Unemployment in Trafford has fallen significantly over the past decade from 7.2% to 3.7%, below Greater Manchester (4.6%) and England minus London (4.1%).[16] If EU citizens decide to leave Trafford after Brexit, the low levels of unemployment suggest that it may be difficult to find replacement labour from a local labour source.

Students

Universities in Greater Manchester (The University of Manchester, Manchester Metropolitan University, The University of Salford and The University of Bolton) had 4,675 EU-resident students (excluding those from the UK) in 2016/17 according to data from HESA. Due to the free movement of labour regulations, EU national graduates are able to stay in the UK after graduating, contributing to Manchester's high graduate retention rate of around 50%, and importantly providing a valuable supply of skilled labour for Trafford businesses.

[15] Brexit and the impact of immigration on the UK, CEP, 2016
[16] Annual Population Survey, 2008-2018

Research conducted for the NUS[17] suggests annual per capita spending by students, including tuition fees, is £20,175, suggesting EU students in Greater Manchester spend in the region of £94 million per annum with elements of the expenditure re-circulated through the local economy.

Any changes to the entitlement of EU nationals to study at UK institutions would impact on the number of students attracted and levels of associated expenditure. The tuition fees that EU nationals could be charged could, however, increase in the event of leaving the EU, to equal those for other international students.

Post Brexit Rights for EU Citizens in the UK and UK Citizens in the EU

Free movement of people will come to an end in any Brexit option, impacting the flow of EU migrants to Greater Manchester and Trafford. What the exact future details will be surrounding work and travel between the UK and EU is uncertain. In the short term EU citizens and their families will continue to have the right to move to live and work in the UK (and vice versa) until the end of the transition period in December 2020, regardless of whether a Deal is secured.

The Withdrawal Agreement protects the existing rights to equal treatment and non-discrimination for EU citizens residing or working in the UK, UK nationals residing or working in the EU, and their family members. It proposes that EU citizens who have been living in the UK (and vice versa) continuously and lawfully for five years at the end of the implementation period will have the right to reside permanently in that country. Those who have not yet reached the point of five years' continuous residence will be eligible to be granted pre-settled status, and will be able to apply for permanent residence once they have reached that point.

The Deal sets out that in the UK, EU citizens and their family members can apply for a residence status through the EU Settlement Scheme, to which the government have agreed to waive the application fee. The EU Settlement Scheme will open fully by 30th March 2019. The deadline for applying will be 30th June 2021. Citizens will apply through a simple digital system, with the key eligibility requirements are:

- Being an EU citizen or close family member
- Arriving in the UK before 31 December 2021, or close family member joining
- Not a serious or persistent criminal or public security risk

Local Authorities will have a role to play helping employees to apply for permanent residence and will be responsible for making applications for some EU citizens in their care particularly those vulnerable and at risk. Local authorities can help residents by identifying need to apply, helping with technology and providing support with language. The government have confirmed grant funding of up to £9 million for voluntary and community organisations to ensure EU citizens needing additional support get help in obtaining their settled status.

Looking toward the future arrangement the Political Declaration says that the UK and the EU will aim to achieve:

- Arrangements for temporary entry for "business purposes"
- Visa-free travel for short-term visits
- Co-operation on tackling illegal immigration

While the Withdrawal Agreement protects the existing rights to equal treatment and non-discrimination for EU citizens residing or working in the UK and their family members, clarification is needed with regards to the rights of younger family members, and their rights to stay and work in the UK and the ability of families to bring over family members, including older relatives.

[17] Student Contributions to the UK Economy, nef consulting, 2013

It is unclear what the medium term effects of leaving the EU will be on EU citizens already living in the UK. Recent trends suggest the UK is less attractive to many EU migrants, although factors such as the exchange rate may be having an effect in some sectors. Nevertheless, there is the potential for EU citizens currently resident in the UK to leave over the next five years, with implications for both the labour force and services such as health, children and family services and education.

The UK's Future Skills based Immigration System

The Government published its White Paper on a new immigration system - The UK's Future Skills based Immigration System – in December 2018. The key features of the White Paper are:

> *"At present, we have a dual system of admitting only highly skilled workers from outside the EU, and workers of all skill levels from the EU. We will replace this with* ***a single route which gives access to highly skilled and skilled workers from all countries****. Those coming to the UK on this route will need an employer to sponsor them. We propose to allow individuals who meet the requirements to bring dependants, extend their stay and switch to other routes, and in some cases, settle permanently.*
>
> *As recommended by the MAC,* ***we will not impose a cap on the numbers of skilled workers****, to ensure the brightest and best who wish to come to the UK may do so, and employers have access to the skills that add most value to the UK economy.* ***The new skilled route will include workers with intermediate level skills****, at RQF 3-5 level (A level or equivalent) as well as graduate and post-graduate, as the MAC recommended.*
>
> *The MAC recommended retaining the minimum salary threshold at £30,000 and we will engage businesses and employers as to what salary threshold should be set. We have asked the MAC to review the Shortage Occupation List (SOL), including for occupations at RQF levels 3-5. They will report in spring 2019.*
>
> *Employers have to some extent become reliant on lower skilled workers from the EU for certain jobs. Leaving the EU provides an opportunity to drive business change and ensure that UK companies are at the forefront of innovation going forward.*
>
> *However, we recognise the challenges faced by these employers, particularly in sectors like construction and social care, who would find it difficult immediately to adapt.* ***We propose, as a transitional measure, also to institute a time-limited route for temporary short-term workers****. This route will allow people to come for a maximum of 12 months, with a* ***cooling-off period of a further 12 months*** *to prevent people effectively working in the UK permanently. We will engage extensively with business and stakeholders as part of the engagement process on the duration and cooling off periods."*

Saffron Cordery, the Deputy Chief Executive of NHS Providers, which represents NHS trusts has stated that "We are deeply concerned about what is going to happen. High skills does not equal high pay. You have got starting salaries for nurses at £23,000 – also for paramedics, midwives. Junior doctors' starting salaries at £27,000, healthcare assistants at £17,000, all coming in way below that £30,000 cap". She added that the same applies for social care, and that many of the skills "lay in those staff under £30,000".

While the 12 month temporary visa is meant to alleviate pressure on social care recruitment challenges, the requirement to leave the UK and reapply for another temporary visa after a 10 month cooling off period, will make the UK a much less attractive location for lower paid migrants in both the health and social care sector and does not address the concerns raised by NHS organisations.

Potential Impacts by Sector

This section considers the areas of the economy which are expected to face the greatest impact of leaving the European Union, due to reliance on: EU labour (broad sectors detailed on page 14); importing and exporting and the value of EU WTO standard tariffs (page 4); EU common rules and regulations, as well as following estimates of sectoral impacts by DExEU, IMF, Openeurope.[18] This raises implications for Trafford's sub-sector specialisms.

Food and drink:

- Food and Drink Manufacturing currently employs 2,405 accounting for 1.5% of total employment in Trafford and 12% of total sector employment in Greater Manchester.
- In a No Deal scenario under the standard EU tariffs, parts of the industry will be effected more than others, in particular meat and other agricultural products are subject to some of the highest EU tariffs. Non-tariff barriers such as rules of origin checks will also impact food and drink manufacturers who use imports from other countries. These barriers are likely to significantly reduce the demand for these goods from EU customers as the prices are driven up.
- Additional border controls and sales restrictions may be imposed after EU law ceases to cover UK food & drink products. If the UK agrees to retain EU standards on its production as well as third country imports, the need for additional border controls could potentially be avoided. However this then limits the UK's ability to agree new trade deals abroad involving lighter regulation.[19]
- The scale of the impacts will be much larger in the short-run under a no-deal due to EU standard tariffs and non-tariff barriers. If the UK decides to retain EU standards on its food and drink products the impact will be minimised.

Trafford Impact	Negative and significant under No Deal due to the high tariff and non-tariff barriers as well as problems if food and drink standards are not aligned leading to a reduction in UK exports of products to the EU/ EU imports used in production.

Health & Social Care:

- Health and Social Care activities currently employ approximately 10,500 and representing 6.9% of total employment in Trafford. Health and social care activities are ranked as the joint fourth largest employer in Trafford. EU workers contribute significantly to the UK health and social care sector. Around 5.6% of NHS staff are EEA nationals, they are particularly important in key frontline clinical roles where they make up around 15% of dentists, over 9% of doctors, and nearly 6% of nurses and midwives. In addition EEA nationals account for 7% of the adult social care workforce, rising to 16% of registered nurses in social care. Using these figures alongside BRES data gives an estimate of around 650 EU workers in Health and Social Care in Trafford.
- Against the backdrop of rising demand for health and social care in part caused by an ageing population, there are serious concerns around the decreased talent pool following Brexit. After the referendum, 96% fewer nurses registered to practice in the UK from the EU and a total drop of 2,385 EU midwives and nurses was reported for 2017. Meanwhile the Health Foundation reported significant shortages of nurses in the UK.
- The government has indicated it will create a skilled migrants system with an earning threshold of at least £30,000 - this will not cover some nurses, paramedics, midwives, junior doctors, health care assistants and care workers.
- A fall in the value of the pound may also make it less attractive for EU workers to work in the UK as their wages will be worth less in their home countries.

[18] https://openeurope.org.uk/intelligence/britain-and-the-eu/what-if-there-were-a-brexit/
[19] Food & Drink and Brexit, Brodies, 2017

- A report from the Department of Health (2017) stated that if the NHS were no longer able to recruit doctors, nurses and other health professionals from EEA countries, after five years there would be around 6,000 fewer EEA doctors and 12,000 fewer EEA nurses.[20]

Medicines

- The UK imports 37 million packs of medicine each month from the EU and exports more. There are concerns over a No Deal Brexit causing huge delays at ports – the government has asked firms to stockpile six weeks' worth of drugs in the event of a No deal. However this may not be logistically possible for medicines which need refrigerating and those with short shelf life.[21]
- The Healthcare Distribution Association (HDA) said 50% of medicines in a typical wholesaler's warehouse had been through the EU at some point. Medicines supplies work to a highly sophisticated timetable, generally with twice-a-day deliveries and warehouses keeping only two or three weeks of stock. The head of the HDA stated: "It would be a catastrophic time, a 'no deal', for medicines supply."

Trafford Impact	Negative and significant. Health and Social Care is a very large employer and dependent on a regular supply of EU nationals taking up employment each year. This will be reduced under the new long term immigration arrangements, particularly if the £30,000 cap is applied. Potential impact of medical supply chain if No Deal take place.

Distribution and Logistics:

- Distribution and Logistics consists of 6,800 jobs and 4.5% of total employment in Trafford and 9% of sector employment within Greater Manchester.[22] Ranked as the tenth highest employer in the Trafford area due to the key transport links to the M6, M62 and M60 in addition to freight terminals at Trafford Business Park.
- This sector maybe impacted by a No Deal Brexit through the effects on manufacturing, with increased costs due to tariffs and potential reductions in the quantities of goods produced and transported. In addition the Department of Transport have said that hauliers will need European Conference of Ministers of Transport (ECMT) permits in a No Deal outcome, and the number will be severely limited.[23] The Road Haulage Association estimates suggest there will be only around 5% of the total permits required.[24] There are several haulage companies operating in Trafford which could be affected.

Trafford Impact	Negative and significant. Potential disruptive through new import/export regulations and paper work. Could be very disruption if No Deal is the final outcome. A very large employer and dependent on a regular supply of EU nationals taking up employment each year. This will be reduced under the new long term immigration arrangements, particularly if the £30,000 cap is applied.

Chemicals

- There are currently 1,375 employed in Chemicals manufacturing in the area representing just under 1% of total employment in Trafford and 16% of total sector employment for Greater Manchester. This Chemicals sector is highly significant within the Trafford local area with a

[20] Evidence on EEA nationals working within the health and care system, focusing on England, The Department of Health, 2017
[21] https://www.bbc.co.uk/news/health-46350966
[22] http://www.investintrafford.com/Sectors/distribution-and-warehousing.aspx
[23] International Road Haulage Permits Guidance on Determining Permit Allocations Movin
[24] https://www.rha.uk.net/news/press-releases/2018-07-july/brexit-and-the-uk-haulage-industry-%E2%80%93-no-deal-no-jobs-no-food

location quotient (LQ) score of 2.3 (three times the average Trafford LQ for manufacturing – see table on page 5), indicating employment levels are more than twice the national average.

- 63% of companies in the sector export their goods, the highest proportion of any goods manufacturing sector in the UK economy. 60% of exports go to the EU and 75% of imports and raw materials come from the EU.[25] However Standard EU tariffs on Chemical products are relatively high at 4.5% meaning the sector will be significantly impacted under a No Deal scenario.
- The UK chemicals industry is regulated through a framework largely based on EU legislation, with the main piece of legislation being REACH which requires EU companies to register chemicals with European Chemicals Agency before placing them on the market and puts in place additional regulatory controls on hazardous chemicals. The Chemical Industries Association has said in response to the governments No Deal plans for the sectors regulation: "businesses have already spent in excess of £550 million investing in registrations under EU-REACH; sharing information and communicating safe use in exchange for a license to market chemicals in European countries, including the UK. Requiring companies to duplicate pre-existing registration duties for a UK-REACH will not only weaken our international competitiveness but more importantly, offers nothing more to strengthen health and safety".
- In addition the UK government analysis finds the Chemicals industry is the most dependant on trade, and under a No Deal scenario the analysis estimates GVA will fall by 16% in the sector.

Trafford Impact	Negative, although employment numbers are modest. Sector very dependent on trade arrangements.

Engineering:

- Engineering currently employs 4,875, representing 3.2% of total employment within Trafford and 14.3% of sector employment for the whole of Greater Manchester. There are approximately 680 engineering companies operating in Trafford.
- The UK faces an engineering skills crisis, with Engineering UK finding that there is a need for 182,000 new engineers and technicians per year until 2020.[26] The Royal Academy of Engineering states "the EU is an important source of engineers deployed on UK projects and companies rely on the ability to move their engineers between EU countries."
- A survey in 2016 of 424 engineering companies found that when respondents were asked about the significance of the EU to their businesses, working with EU companies was the most common answer at 64%, followed by employing EU citizens (62%) and exporting services to the EU (48%).
- The current and forecast future skills shortage means the ability of Trafford businesses to employ engineers from the EU is therefore crucial for the functioning of the sector in the area.

Trafford Impact	Negative and significant. Important sector for Trafford and likely to be affected by new trade arrangements which could disrupt the international nature of the supply chain as well as need to recruit internationally to address skills shortages.

Retail:

- The retail sector is a large employer, employing 17,000, 11.2% of total employment in the area, and 765 retail businesses.
- UK retail sector relies on more than 300,000 EU migrant workforce.[27]

[25] https://www.cia.org.uk/News/Details/A-costly-challenge-for-the-UK-chemical-industry-under-a-no-deal-Brexit
[26] Engineering UK 2016, The state of engineering, Engineering UK, 2016
[27] Impacts of Brexit on the Retail Industry, FTI Consulting, 2017

- Retailers selling to EU countries may benefit from reduction in sterling, however those retailers importing from the EU may face rising costs.
- The credit ratings agency Moody's has warned that a no-deal Brexit would have a substantial effect on the retail sector. They suggested "The fall in the exchange rate would lead to temporarily higher inflation and hence a further squeeze on real wages over the following two to three years, which in turn would weigh on consumer spending and depress growth."
- The large scale of the sector in Trafford leaves the area's retail companies and jobs vulnerable to negative shocks such as a loss of consumer confidence, a fall in spending and visitor numbers and a loss of EU workers due to a no-deal outcome.

Trafford Impact	Negative and significant. A very large employer and dependent on a regular supply of EU nationals taking up employment each year. This will be reduced under the new long term immigration arrangements, particularly if the £30,000 cap is applied.

Finance:

- The finance and insurance sector in Trafford employs 6,000, accounting for 13.5% of employment in the sector in Greater Manchester. In addition there are 530 finance and insurance firms operating in the borough.
- The financial services sector is heavily reliant on the Single Market, which allows a bank based in one member state to set up a branch or provide cross-border financial services in another, while being regulated by authorities in the home country. This is important for UK exports of financial services – as well as allowing American or Swiss banks to do the same from subsidiaries set up in the UK. Members of the European Economic Area (EEA) – like Norway – are able to benefit from these privileges, however they contribute significantly to the EU budget, accept all EU regulations and allow free movement of labour – which the UK government is committed to end. In addition, leaving the EU will erode the UK's ability to negotiate concessions from regulations on EU related transactions.
- Therefore Brexit is expected to have a considerable effect on the financial services sector due to the high level of regulation which will provide a barrier to trade.
- Reduced ability to recruit EU higher skilled professionals and potential for post transition agreement to restrict UK access to European finance markets will also be negative to the sector.

Trafford Impact	Negative and significant. A very large employer, reliant on ability to export financial services, and dependent on a regular supply of EU nationals taking up employment each year.

Hotel and visitor economy:

- According to Marketing Manchester, Greater Manchester's tourism sector is worth £7.9bn, supporting 94,000 jobs, attracting 119 million visitors per year; 11 million that stay and 108 million day visitors. Trafford will attract a proportion of these visitors with its various tourist attractions.
- "63 per cent of inbound holidaymakers to Britain are from countries of the European Union, and many of our rural and coastal assets rely on EU funding."[28]
- "Visitors from the EU contribute around £10bn to the UK economy each year while outbound tourism to the EU contributes an estimated £19bn to the UK economy."[29]
- The British Hospitality Association (BHA) estimates that a minimum 15% of the hospitality and tourism industry are workers from the European Union, which equates to almost 700,000 jobs.

[28] British Hospitality & Tourism Industry Brexit Strategic Response, British Hospitality Association, 2016
[29] Tourism Post Brexit, Tourism Alliance, 2017

- A fall in the sterling may help make the UK a more attractive tourist destination however the potential need and cost of visas for EU citizens travelling to the UK may counteract this.
- The BHA suggests that a loss of EU labour could drive up labour costs which would be damaging to the industry which is highly competitive.

Trafford Impact	Negative and significant. A very large employer and dependent on a regular supply of EU nationals taking up employment each year (see table on page 13). This will be reduced under the new long term immigration arrangements, particularly if the £30,000 cap is applied.

Digital and Technology:

- Digital and Technology consists of programming and broadcasting services; telecommunications; computer programming, consultancy, and related activities and information service activities which employs 5,130 individuals representing 3.4% of total employment in Trafford and 12% of sector employment within Greater Manchester. Greater Manchester has established strong digital clusters such as 'MediaCityUK'. This sector may witness a decline in the availability of a skilled workforce throughout Trafford and Greater Manchester.
- Leaving the EU also means leaving the Single Digital Market, which aimed to remove regulatory walls creating one digital market and has brought a range of benefits including the abolition of mobile roaming charges and rules designed to prevent 'geo-blocking' are due to be implemented in December. This could put the UK digital sector at a disadvantage not having the same access and benefits as comparator firms in the EU.

Trafford Impact	Negative, minor impact. This sector is harder to restrict across borders and is not as reliant on access to the single market as others in Trafford's economy.

Brexit and science and innovation:

- Many scientists have expressed concerns over the mobility of scientists following Brexit, with a large proportion of scientists moving between countries for work. A third of academic staff in British universities are from outside the UK, with 16% from other EU countries.[30] One British Nobel prize winner, stated that present visa arrangements for non-EU countries were inhibiting cooperation.
- A survey at the UK's biggest biomedical lab, The Francis Crick Institute, reported that 97% of its researchers believed a hard Brexit would be bad for British science. Half also expressed a desire to leave the UK due to Brexit. 29 Nobel laureates have said a hard Brexit could cripple UK science, in a letter to Theresa May and the European commission president, Jean-Claude Juncker.
- This suggests that under any Brexit outcome (with more significant impacts under No Deal), it is important that visa arrangements are put in place which can limit disruption for scientists and innovators moving between the EU and UK.

Trafford Impact	Modest, negligible impact (no university within Trafford).

[30] Science in Parliament Evidence Report: Science Priorities for Brexit, 2018

European Funding

Current EU funding includes the European Structural Investment Funds (ESIF) programme – comprising European Regional Development Fund (ERDF) and European Social Fund (ESF) – and EU Transnational Funds such as Horizon 2020.

The Funds are seen by many as a valuable part of the UK's regional development policy. Recent research has shown that between 2007 and 2013 the Funds helped create 29,795 jobs in the North West.[31] Analysis of the regional distribution of ESIF suggests that the possible implications of Brexit would vary across the UK's constituent regions and nations with Wales, Northern Ireland, the North East of England and South West receiving greater per capita ERDF and ESF funding.

The current funding cycle is between 2014 and 2020 and during this cycle Greater Manchester is to receive a total of €413.8m of ERDF and ESF funding.

Short Term

In the short term the outcome of negotiations will have little effect on EU funding for the current cycle (2014-2020). If there is a Withdrawal Agreement in place when the UK leaves, then UK recipients will receive EU funding for projects agreed in the current funding cycle from the EU Budget. If the UK leaves without an agreement, the Government has committed to replace outstanding EU funding for the duration of the project. In July HM Treasury stated "*UK organisations that secure funding through EU programmes, from now until the end of 2020, will be guaranteed by the UK government even in a no deal scenario"*.

Shared Prosperity Fund

In the longer term the 'Shared Prosperity Fund' (SPF) will be the successor to EU funding delivered by the Ministry of Housing, Communities and Local Government and is designed to reduce inequalities between communities, delivering sustainable, inclusive growth. Metro Mayors, including Andy Burnham the Mayor of Greater Manchester, have called for the future SPF to be devolved to regional leaders to further boost devolution and empower leaders to ensure money is spent on priorities defined by local areas.

Research

The EU has had a considerable impact upon UK research and technological development in the form of the Framework Programme, which is the European Union's funding instrument for supporting collaborative, transnational research and development, with a primary focus on science and technology. Horizon 2020 is the current Framework Programme being delivered. According to recent statistics, Britain is the second best funded country in Europe for Horizon 2020, second for the number of topics submitted and third for the number of projects funded. The UK and the EU have agreed as part of the terms of the Withdrawal Agreement that the UK will continue to receive funding until 2020 and government have guaranteed to underwrite this programme in the event of a no deal.

There is much uncertainty around the future of this funding. Once out of the EU, the UK will be able to participate in some EU funding and science schemes as a 'third country' however as with Horizon 2020, strict criteria need to be met. The government has signalled a commitment to increase UK research and development spending to 2.4% of GDP, the highest level to date, by 2027.

[31] UK regions and European structural and investment funds, Sheffield Political Economy Research Institute 2016

Implications for Trafford Council Services and Policies

Long Term Impacts

There are various likely impacts on Trafford Council and its ability to deliver local services in the wake of Brexit, particularly if a Withdrawal Agreement is not signed prior to the official exit date. These include:

1. A likely slowdown in growth of Business Rates income due to a few new businesses, and a reduction in Business Rates if the No Deal scenario takes place.
2. A reduction in inward investment as a source of new and additional Business Rates and employment, including established foreign owned business losing out in future re-investment plans.
3. Increasing unemployment under a no deal scenario; more muted employment growth in the early years post Brexit if a deal is agreed. There is a potential knock on effect of reduced employment and training opportunities for young people, which would be significant under a No Deal scenario.
4. A shortage of staff in a number of community related services such as health and social care, including higher skilled and experienced staff, as well as intermediate skills jobs.
5. Potentially a reduction in school places over the next five years as the numbers of migrant families reduces (the children of working migrants make up an important component of some school places).

The implications for the range of Local Authority services are only now beginning to be clarified, and the Local Government Association has made the case for additional resources to be made available. Government Departments have now embarked on more detailed briefings, although there remains uncertainty in many areas.

Greater Manchester benefits from a Combined Authority, and there is likely to be situations where the Combined Authority is the lead organisation in responding to challenges raised by Brexit. However, many business and residents will look to the Local Authority for guidance and support.

Skills Shortages and Recruitment Challenges

Trafford Council and the Combined Authority have a role to play in addressing the skills shortages and recruitment challenges arising from Brexit. This includes a direct interest in health and social care recruitment challenges. While Brexit is unlikely to create new recruitment challenges, it will exacerbate both skills and recruitment challenges which many sectors have been grappling with for some time. This includes:

- A reduction of EU migrants working in the **social care sector** could impact the ability for Trafford to deliver vital children and adult social care services in the future. A priority should be focussing on attracting and retaining staff in this sector as well as identifying any current or future skills shortages and policies to address them.
- A reduction of EU migrants working in the **health sector** could impact the ability for Trafford to deliver vital children and adult health services. A priority should be focussing on attracting and retaining staff in this sector as well as identifying any current or future skills shortages and policies to target them.
- Ensuring identified **local skills shortages** can be met in the future is a major priority, given the likely reduction in EU workers in a number of important business sectors based in Trafford. The Local Authority and the Combined Authority should adapt an appropriate skills strategy to take into account a likely loss of EU labour, ensuring that local training / Further

Education providers are taking the correct approach and have the resources to tackle skills shortages and recruitment challenges.

- As EU funding comes to an end in 2020, Greater Manchester and the Local Authority, should seek to ensure the Shared Prosperity Fund is available in order to replace current levels of EU funding invested in training and skills development. Consideration should be given to ensuring training related funding prioritises the Health and Social Care sector, as well as manufacturing and industry.

There is an opportunity to use vacancies in the health and care sector to support inclusive growth, increasing participation in the labour market. While many jobs are not well paid, there are opportunities to help people to return to the labour market, including former health and care workers.

EU Settlement Scheme

EU citizens and their family members in the UK will need to apply to secure their rights to settlement through a simple digital system to get settled status or pre-settled status. The EU Settlement Scheme will be open fully by 30 March 2019. The deadline for applying will be 30 June 2021. EU citizens may be able to apply after this date if they are joining a family member covered by the Withdrawal Agreement.

Government has asked Local Authorities to:

- *Sign up to host an Identity Verification or Assisted Digital service, within your local registration service to help your EU citizens progress their digital application.*
- *Speak to your local libraries and encourage them to join the Assisted Digital service.*
- *Use the community leader and local authority toolkit to update your EU employees.*
- *Promote the Voluntary and Community Sector grant funding to your community groups.*
- *Signpost your residents to GOV.UK content and encourage them to sign up to email updates.*

The signing up of EU citizens is a major exercise and while the system is designed to be straightforward, considerable local support will be needed to provide guidance and support. Trafford Council and the Combined Authority needs to respond to the Government request for Local Authority assistance, including the resources needed to provide support over the next two years.

Both the Settlement Scheme and the proposed new immigration arrangements (the subject of consultation) continue to be subject to clarification. This includes matters such as looked after children, the right to bring elderly and other family members to the UK, the long term rights of children into adulthood (such as the right to work abroad as a young adult and return to the UK), and the rights of new working migrants to a variety of benefits. Trafford Council will need to monitor how policy on matters affecting families evolves over the next 12 months as the Settlement Scheme is implemented.

In terms of the scale of the task, Trafford has more than 10,000 EU citizens resident in the borough, and Trafford companies employ more than 12,000 EU citizens.

Business

Trafford benefits from a large, successful business base. While the transition period provides for the continuation of current trade arrangements, the UK still needs to negotiate its long term preferred position – *"a common rulebook for all goods and regulatory flexibility for services, with tax or tariff-free trade with the EU, while leaving the UK free to pursue trade deals outside the EU".* The EU is unlikely to agree with the UK position.

Business uncertainty will continue until a final agreement is reached on trade. The responsibility to assist business to adapt to any changes lies with the Department of Business, Energy and Industrial Strategy (BEIS). The Combined Authority is likely to be the appropriate body for ensuring that GM companies have the right level of assistance to deal with new long term trade arrangements given that the information already produced by Government highlights the different challenges facing individual l sectors. This role is likely to include:

- Determining any new or expanded role for the Greater Manchester Growth Company to assist GM businesses.
- Negotiating with BEIS for any additional funding to assist local companies, and agreeing new initiatives and funding to help companies respond to the challenge of leaving the EU.
- Refreshing/Reviewing the MIDAS inward investment role to take account of the implications and opportunities of the UK leaving the single market.
- Determining the role of the Shared Prosperity Fund to help companies respond to the challenge of leaving the EU.

There is an opportunity to use the likely recruitment challenges in some sectors to persuade companies to focus on capital investment which supports company growth through increased productivity. There may also be an increased interest by companies to work with local training providers and agencies to provide better qualified local candidates to take up employment vacancies.

Brexit Monitoring Arrangements

After two years of discussions, some of the implications of Brexit are becoming clearer, while other aspects are likely to be clarified in the next few months. There will however be a continuing lack of certainty until the long term trade arrangements are agreed, currently planned by the end of the transition period, December 2020.

There is now a strong case for Local Authorities to increase the monitoring of how Brexit is taken forward over the next two years. It is very likely that Local Authorities will need to adapt to new situations as Brexit is worked through by various Government Departments and services, and the urgency and scale of the task will be clearer after the parliamentary votes planned for January.

In view of the amount of more detailed information now coming out of government, Trafford Council should formalise its arrangements to ensure consistency and coordination across the service areas. Trafford Council should:

1. Appoint a Senior Responsible Officer to monitor Brexit, liaise with the Combined Authority and Government Departments, disseminate information and coordinate Trafford's engagement in Brexit related matters.
2. Establish a Brexit group of senior officers, to meet six weekly for the next 12 months, with one representative from each Council Department.
3. The Senior Responsible Officer should report to the Council's Senior Management team, and Brexit should be a standing item on the agenda.

An important early decision is needed with regard to the role the Council wishes to play in supporting local people and business deal with the EU Settlement Scheme, which will be open fully by 30 March 2019.

Conclusions

This report evaluates the potential economic implications of Brexit for the borough of Trafford. The implications of leaving the EU depends on various factors including: trade and migration policy including access to the European market; the risk of complex customs processes; the possibility of tariffs on European trade; and gaps in skills availability. Whether a deal is secured or not before the official date for leaving the EU and the final future relationship will influence these factors.

Trafford is a key driver of the Greater Manchester economy, accounting for 8.4% of Greater Manchester's population, 11.4% of employment and 10.8% of businesses. Implications for Trafford are expected to include:

- A reduction in exports: while leaving the Single Market will not impact upon the ability of companies in Trafford to export, the potential tariff and non-tariff barriers are likely to reduce levels of trade relative to the current position. Our estimates suggest there are around 500 businesses in Trafford involved in exporting to the EU.
- Reduction in the attractiveness of Trafford and Greater Manchester as a place to invest and re-invest relative to other cities and regions in the EU.
- A reduction in living standards: as outlined in this report a No Deal Brexit is likely to lead to a further fall in the value of the pound making imports more expensive, which could lead to a rise in inflation, particularly in food and energy, and a fall in real wages.
- Reduced flow of EU nationals who work in Trafford and are particularly important for the sectors including: banking and finance; retail, restaurants and hotels; manufacturing; and health and social care.
- Loss of EDRF and ESIF funding which plays an important role in supporting Greater Manchester's universities as well as supporting businesses, skills, supporting people into work.

While a No Deal scenario, with WTO tariffs, would have a major, immediate and negative impact on the UK economy, a deal scenario has implications for a number of sectors in Trafford. This effect is a combination of labour market, trade and investment impacts.

Trafford Sector	Potential Impact
Food and Drink Manufacturing	High standard EU tariffs on agricultural products, particularly meat and dairy, and border delays /additional border checks and problems with rules of origin and EU standards will all reduce exports. Reduced ability to recruit labour force, potential for long term post transition trade deal to impact on supply chain and trade arrangements.
Health and Social Care	Reduced ability to recruit EU higher skilled medical professionals. Reduced ability to recruit lower and medium skilled health workers, including care staff. Potential impact on the cost of providing care in a context of challenging Local Authority and NHS budgets. Delays at ports & limited warehousing facilities for stockpiling for medicines risks the health of residents.
Chemicals and Pharmaceuticals	High costs of implementing new regulation, high standard EU tariffs and reliance on exporting and importing means the sector is likely to impacted significantly, particularly under No Deal.
Engineering	Reduced ability to recruit high skilled, experienced labour force, potential for long term post transition trade deal to impact on international supply chain and trade arrangements.
Retail	Reduced ability to recruit lower and medium skilled labour force. Reduced consumer spending impacting businesses and jobs in the area.
Finance	Reduced ability to recruit EU higher skilled professionals, potential for post transition agreement to restrict UK access to European finance markets.

Hotel and Visitor Economy	Reduced ability to recruit lower and medium skilled labour force. Reduction in number of visitors
Distribution and Logistics	Potential for long term post transition trade deal to impact on supply chain and trade arrangements.
Digital and Technology	Reduced ability to recruit experienced labour force. Loss of access to single digital market.

There are various likely impacts on Trafford Council and its ability to deliver local services in the wake of Brexit, particularly if a Withdrawal Agreement is not signed prior to the official exit date. These include:

1. A likely slowdown in growth of Business Rates income, and a reduction in Business Rates if the no deal scenario takes place.
2. A reduction in inward investment as a source of new and additional Business Rates and employment, including established foreign owned business losing out in future re-investment plans.
3. Increasing unemployment caused by a fall in employment under a No Deal scenario; more muted employment growth in the early years post Brexit if a deal is agreed. There is a potential knock on effect of reduced employment and training opportunities for young people, which would be significant under a no deal scenario.
4. A shortage of staff in a number of community related services including health and social care, including higher skilled and experienced staff, as well as intermediate skills jobs.
5. Potentially a reduction in school places over the next five years as the numbers of migrant families reduces.

The implications for the range of Local Authority services are only now beginning to be clarified, and the Local Government Association has made the case for additional resources to be made available. Government Departments have now embarked on more detailed briefings, although there remain uncertainty in many areas.

Trafford Council and the Combined Authority need to consider:

- How to respond to the Government request for Local Authority assistance to support the EU Settlement Scheme, including the resources needed to provide support over the next two years.
- How to respond to the reduced flow of EU nationals who work in Trafford and in particular the health and care sector.
- How best to support local businesses deal with the leaving the EU and the role of the Combined Authority, Greater Manchester Growth Company, and MIDAS.
- Formalise its arrangements to ensure consistency and coordination across the service areas, with a Senior Responsible Officer to monitor Brexit, establishing Brexit group of senior officers, to meet six weekly for the next 12 months, with representative from each Council Department and regular reporting to the Council's senior management team.

Irrespective of the final outcome – deal or no deal – March 29th 2019 represents the beginning of a process and the final outcomes of how citizens and business respond and the challenges for the public sector will only become clear over the full duration of transition period.

Appendix I

Summary of Withdrawal Deal and No Deal

Current Deal (to be voted on by Parliament)	No Deal
The Withdrawal Agreement includes proposals for the transition or implementation period during which EU laws will continue to apply, which is intended to run until 31st December 2020. In effect, the UK will continue to follow EU rules and regulations until the end of 2020, and from a business perspective, the UK will not effectively leave the EU until 2021. The Withdrawal Agreement protects the existing rights to equal treatment and non-discrimination for EU citizens residing or working in the UK, UK nationals residing or working in the EU, and their family members. It proposes that EU citizens who have been living in the UK (and vice versa) continuously and lawfully for five years at the end of the implementation period will have the right to reside permanently in that country. Those who have not yet reached the point of five years' continuous residence will be eligible to be granted pre-settled status, and will be able to apply for permanent once they have reached that point. Transition negotiations: The UK proposes: the UK maintain a common rulebook for all goods and regulatory flexibility for services, with tax or tariff-free trade with the EU, while leaving the UK free to pursue trade deals outside the EU. A new customs deal would be devised in which the UK would apply domestic tariffs and trade policies for goods intended for the UK, and their EU equivalents for goods which will end up heading into the EU. As EU tariffs would be collected, a hard border in Ireland could be avoided. The end the free movement of people from the EU, but include a "mobility framework" allowing easy movement for work or study. The Chequers Deal was dismissed by EU leaders at a summit in Salzburg on the 20th September, with the President of the European Council stating that it "will not work" and "risks undermining the single market".	If the UK and EU fail to sign a withdrawal agreement under the terms of the Article 50 process, the UK would leave the EU on 29th March 2019, with all EU legislation and agreements ceasing to apply to the UK. In this scenario, trade between the UK and EU would revert to WTO rules**.** This would mean that, in the absence of a Free Trade Agreement, the UK and EU would have to impose the same tariffs on trade with each other that they impose on other WTO members. The Government is directly contacting over 100,000 businesses with an information pack to assist those businesses most likely to be affected by no deal. The information focuses on any immediate actions needed with regard to regulations and importing/exporting arrangement under a no deal scenario. The average tariff on imports into the EU is low - around 1.5%. Tariffs vary dramatically at a sectoral level, for instance animal and dairy products have averages of 16% and 35% respectively. In addition for cars and car parts the tariff rate is 10%. Since most UK car production is exported, and uses imported parts, the impacts would be magnified. In the short term no deal will significantly restrict the UK's access to markets. The UK will no longer be part of the EU trade agreements currently or partly in place with 83 countries, plus pending agreements with eight countries and ongoing negotiations with a further 21. These include agreements with large economies like Japan, Canada, China and India.[32] In the long term, however, a no deal scenario would allow the UK freedom to negotiate its own independent trade deals and therefore the long term impact on trade may be reduced. However, as a single country, the UK will have reduced bargaining power negotiating trade deals outside of the EU.

[32] The Cost of No Deal Revisited, The UK in a Changing Europe, 2018

Appendix II

Business Impact under Deal and No Deal Scenario

Potential Implications for Trade and Access to Markets

The Single Market is a market of 500 million customers. As a member of the EU it is effectively the 'home' market for Trafford businesses, with products and services being subject to the same base regulatory standards, businesses working to the same employment legislation, and the movement of goods and services without tariff and non-tariff barriers. Free trade within an open market sits at the core of EU's remit and principles.

The outcome of the Brexit negotiations will influence future trade agreements, regulation, the introduction of tariffs and fluctuations in the currency, which all have the potential to affect businesses and their decisions, with exporting and importing businesses and those with close links to these businesses expected to face the biggest impact. Therefore whether the Withdrawal Deal is accepted, or whether the UK leaves without any deal makes a big difference in the expected impact upon businesses.

Both the Chequers Deal and the Outline Political Declaration propose to maintain a common rulebook for goods and have regulatory flexibility for services. Therefore these deals would avoid any adverse effects of a loss of common trade terms for goods with the rest of the EU.

In the short term no deal will significantly restrict the UK's access to markets. The UK will no longer be part of the EU trade agreements currently or partly in place with 83 countries, plus pending agreements with eight countries and ongoing negotiations with a further 21. These include agreements with large economies like Japan, Canada, China and India.[33] In the long term, however, a no deal scenario would allow the UK freedom to negotiate its own independent trade deals and therefore the long term impact on trade may be reduced. However, as a single country, the UK will have reduced bargaining power negotiating trade deals outside of the EU.

The effect leaving the EU will have on business and consumer confidence and hence spending is particularly important – and the type of deal secured, if any, will affect the scale of this impact across the UK.

The Governor of the Bank of England recently pointed out that the typical trade deal takes four years to negotiate and two years to implement. This suggests that it will be the mid-2020s before the benefits of new trade arrangements are realised.

Trafford is a key player in the Greater Manchester economy, as shown earlier in the Trafford Economy and Workforce section. Its businesses will inevitably be impacted directly or indirectly when the UK leave the EU and therefore affecting the ability of Greater Manchester to achieve its growth ambitions. Sufficient planning is necessary to ensure businesses are prepared to deal with any changes.

Exports

According to the latest trade statistics, UK exports to the EU totalled £162 billion for 2017, accounting for approximately half of all global exports. Of this figure, the North West accounts for 8.7% of EU exports with £14 billion. Based upon the percentage of employment, estimated total EU exports for Greater Manchester account for just over £5.5 billion, of which Trafford accounts for approximately £0.49 billion.

The number of EU exporters in the UK stands at more than 119,800, accounting for 78% of all exporter businesses. Of this figure, the North West accounts for 10.6% of these exporters with approximately 12,900 businesses. There is no data available for local authority areas, but the regional data would suggest over 500 businesses in Trafford export to the EU.

[33] The Cost of No Deal Revisited, The UK in a Changing Europe, 2018

It is estimated that 3.3 to 3.6 million UK jobs that are linked to export trade with the EU, with approximately 350,000 to 387,000 of these jobs within the North West region[34] [35]*. Based on the latest employment figures, an estimated 12,250 to 13,570 of these jobs associated with exports to the EU are in the Trafford area.

The overall impact of No deal on exporters depends on a number of factors. For instance a likely repercussion of No deal is a further fall in the value of the sterling, making British exports cheaper abroad. However, the introduction of WTO rules and tariffs may in fact make British exports more expensive and less competitive and so it is difficult to determine what the net effect may be. A Civitas report from 2016 found that if the UK leaves the EU without a deal, UK exporters could face the potential impact of £5.2 billion in tariffs on goods being sold to the EU.

Under WTO rules tariffs are highest on goods such as alcohol and tobacco, food, chemical and plastics and therefore these industries will be most adversely affected. In addition significant non-tariff barriers such as the costs arising from customs checks, border controls, differences in product market regulations, legal barriers and other transactions costs make cross border business more difficult. Even free trade areas cannot eliminate all the non-tariff barriers that businesses face when transacting across borders.

These increased tariff and non-tariff costs may have an impact on exporters in the North West, who account for 10.6% of the total EU exporters for the UK. Trafford might be particularly affected due to the high EU standard tariffs on food and beverage manufacturing which has a location quotient greater than 1. Additionally, there are concerns that suggest the services sector will be experience a negative impact from the outcome of Brexit.[36] This will also have an impact on Trafford and Greater Manchester who have a large proportion of employment in the service sectors.

Imports and Supply Chain

The value of imports from the EU to the UK is currently valued at £256 billion and approximately 55% of total imports. The North West accounts for 8% of these EU imports, totalling £20.6 billion, with estimates for Greater Manchester and Trafford totalling at £8 billion and £0.72 billion respectively.

The number of EU importers in the UK for 2017 is approximately 163,500, and accounts for 70% of all importer businesses. Of this figure, the North West accounts for approximately 10% with 16,200 EU importer businesses in the region and, therefore, an estimated 700 EU importers in Trafford.

In the short term a No Deal Brexit will lead to increased or uncertain processing times for goods at the border which may severely disrupt supply chains, particularly for those manufactures who rely on 'just-in-time' delivery of parts or inputs. In addition, the impact of a fall in the value of the sterling and tariffs on importers (and hence consumers) are likely to be significant potentially leading to inflation, particularly in agriculture products where WTO tariffs and quotas remain high.

EU Regulation

The EU imposes legislation and specific regulations which businesses operating in EU member states and trading in the EU market must follow, including regulations affecting product specifications, competition, employment terms, health and safety and consumer protection. There are significant costs for businesses associated with these regulations, principally through regulatory administration and the practical aspects of putting regulations in place, with costs particularly burdensome for small businesses[37].

Open Europe estimates that EU regulations cost the UK economy £33.3bn a year, based on the 100 costliest regulations. The working time directive is estimated to cost £4.2bn per year, given Trafford share of UK businesses the estimated annual cost to Trafford businesses is £17.9m. However, whilst

[34]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/509499/Number_of_regional_jobs_linked_to_EU_exports.pdf

[35]Protts, (2016), UK-EU Trade and Jobs Linked to Exports, *Civitas*.

* These estimates take into account jobs directly involved in exporting and those relating to indirect demand generated as a result of export activities.

[36] PwC, 'Brexit Monitor: The Impact of Brexit on (Global) Trade'. 2016

[37] Federation of Small Businesses. FSB Manifesto European Elections 2014. Feb 2014.

the savings to businesses that could be achieved by repealing those relating to working time could be significant, the costs would be borne by workers (e.g. through longer working hours, reduced entitlement to paid holidays etc), and there is no guarantee that the government would wish to impose this.

Leaving without a deal would allow the UK to create its own legislation, tailored to national priorities and adaptable to changing circumstance. However, it is unclear whether this would result in significant changes to the business regulatory environment in the UK. Businesses that wished to continue to trade within the EU would be required to continue to meet EU regulations, potentially meaning that two different sets of product standards would be in force, adding costs in terms of administration and complication.

Potential Implications for Business Investment

Access to the Single Market is an important factor in attracting investors to the UK, but it is just one of a range of factors that influence investment decisions.

Foreign Direct Investment is an important source of business and employment growth within the UK economy. Incoming businesses typically bring with them higher rates of productivity and demand for high level skills, and provide an important source of innovation and technology transfer.

Foreign Direct Investment (FDI) in 2016 from the EU stood at £675 million, 56% of the total FDI into the UK for that year[38]. According to latest Annual Business Survey figures, there were 10,045 foreign owned businesses in the North West, totalling £88.5 million in turnover for 2016. Additionally, there were 4,617 EU 28-owned businesses in the North West, accounting for 11% of regional turnover.

Looking at Greater Manchester, there were 809 foreign owned businesses in the Local Enterprise Partnership (LEP) area, ranked 5th for LEP areas outside of London and the most out of the northern LEP areas[39]. Based on the proportion of businesses in Trafford compared to the Greater Manchester area as a whole, this would suggest that there are c.87 foreign owned businesses within the Trafford local authority area.

Looking at the latest *Department of International Trade* (DIT) figures, a total 687 FDI projects were initiated in the North West between 2012 and 2017. This included 232 EU FDI projects, creating 10,814 jobs. The North West attracted a higher number of projects than other regions in northern England, with 191 EU projects in Yorkshire & the Humber and 104 in the North East[40].

There are various multinationals operating in Trafford include. Attracting investment in part reflects the strength of Trafford and UK economies in their own right but also the access that they provide to the Single Market, although quantifying the relative importance of each factor is extremely difficult[41].

EY's Attractiveness Survey UK (June 2018) reveals that there are concerns about the UK's long-term attractiveness with 30% of investors surveyed across Europe having said they were likely to move assets out of the UK in the future as a result of Brexit. The survey asked what the key concerns are with the UK after it leaves the EU. The largest concern (39% of respondents) was about the loss of access to EU markets, other concerns included the level of UK growth (30%), tariffs on imports (28%), tariffs on exports (24%), restrictions on labour mobility (22%), customs compliance costs (18%), diverging regulation (17%), border delays (13%) and level of UK political risk (12%). These results highlight the importance of maintaining free and frictionless trade with the EU for some investors. Therefore a No deal Brexit is likely to further damage investors' perceptions, whereas a deal which can ensure free trade in goods and minimal non-tariff barriers after leaving the EU, may help to restore investor confidence.

However the survey found that FDI from outside of Western Europe increased in 2017. Projects from North America into the UK increased by 12%, projects from Asia by 10%, and projects from Oceania by 35%, suggesting that fears over Brexit are not having much impact outside of Europe.

[38] ONS, Inward Foreign Direct Investment (FDI) Involving UK Companies, Immediate and Ultimate Basis, 2014-2016
[39] Grant Thornton, Turning Up the Volume: The Business Location Index, 2015
[40] DIT, FDI Projects by UK Region (2012 to 2013 Tax Year to 2016 to 2017 Tax Year)
[41] House of Commons Library, *op. cit.*

Businesses value certainty, both in terms of a policy framework, and general economic conditions. Research looking at the short term and long term impact of policy changes and external shocks on foreign direct investment (FDI) into the UK from 1963 to 2014 found that the UK joining the European Economic Community and Single Market improved certainty and increased the long-term levels of inward investment to the UK, and were the only two events during this period which positively affected the long term trend.[42]

CEP analysis suggest that EU membership has raised FDI by around 28%.[43] The analysis concludes that leaving the EU will reduce FDI inflows to the UK by around 22% over the next decade, suggesting that even in the event that a comprehensive trade deal is struck it would not significantly reduce the negative effects of Brexit on FDI. The report argues that these losses will damage UK productivity and real incomes.

Therefore, Trafford will be impacted particularly in a No Deal scenario by a loss of FDI, mainly from the EU, which is likely to effect the boroughs future growth prospects.

[42] https://www.wbs.ac.uk/news/brexit-will-harm-foreign-investment-into-the-uk/

[43] The impact of Brexit on foreign investment in the UK, CEP, 2016