



north east combined authority

**Economic Development and Regeneration Advisory Board**

Tuesday 24th October, 2017 at 2.00 pm

**BREXploration Commission Report - an additional document for agenda item 7,  
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# BREXploration



Charting a course for our post-Brexit future by engaging public and private sector community stakeholders in collaborative discussion





## FOREWORD

### CLlr Iain Malcolm, Leader, South Tyneside Council

As one of the biggest issues in a generation, Britain's exit from the European Union will impact on every individual, every business and every community in the country. In preparation for potentially seismic shifts in the way we work, do business, and live in a changed global context South Tyneside Council established BREXploration: an exploration of the issues, challenges and opportunities the borough and the wider North East faces in these unprecedented times.

Initially conceived as a Commission of South Tyneside's People Select Committee, the Commission soon grew to take in the regional perspective of Brexit, allowing us to understand the potential impacts on the region and be proactive in ensuring our needs are reflected in the Brexit agreement.

On 30th June, we brought together over 80 civic leaders, public and private sector representatives and community stakeholders to explore, discuss and debate these big issues. Findings from these round-table discussions, reactions and comments, a subsequent consultation and evidence drawn in from a wide range of stakeholders have informed this report and a set of key recommendations on behalf of the region.

We will present this report and the region's recommendations to Government to form an important element of Government's evidence base for the Brexit negotiations and plans for a successful post-Brexit UK. South Tyneside Council's People Select Committee will continue to take forward the BREXploration Commission, further investigating the issues of key concern to our communities included in this report.

A number of common themes emerged from the BREXploration discussions, which are important for us to reflect in our further discussions regionally and with Government:

- A real sense of confidence and ambition for the region;
- The desire to unite around a single voice for the North East;
- For Government to listen to the Region and be clear about its post-Brexit vision; and
- The recognition that partnerships and collaborations will be vital going forward

Recognising this enthusiasm to come together and the strength of pride we have for the North East we have led the region to unite around a set of recommendations, putting a strong case to Government to ensure the needs and aspirations of the North East are reflected in the Brexit agreement.

Councillor Iain Malcolm  
Leader, South Tyneside Council  
Chair, North East Combined Authority's Economic Development  
& Regeneration Advisory Board

# KEY RECOMMENDATIONS

## ONE VOICE

The region will speak with one voice, with confidence and self-determination, clearly setting out the needs and aspirations of the North East to inform the Brexit negotiations both at national and European level.

## AGREED ECONOMIC PRIORITIES

The North East unites around the agreed priorities for economic growth, and more and better jobs, set out within the Strategic Economic Plan (SEP), particularly:

- Recognising those sectors which have the greatest growth potential;
- The need for a cohesive business support system which provides support and funding for businesses to start up and grow;
- The North East to strengthen its place as an innovation hot spot in Europe – an exemplar in ‘smart specialisation’ and open innovation systems and practice;
- A focus on creating quality jobs and developing a skilled workforce; and
- An effective partnership between schools, providers and business to develop a pipeline of home grown talent.

## REPLACEMENT FOR EU STRUCTURAL FUNDS

There must be a replacement to the EU Structural Funds, which have been an important source of funding for the North East.

- The proposed UK Shared Prosperity Fund provides the opportunity to simplify and fully devolve a multi-year fund, to allow strategic management and long-term investment decisions in support of inclusive economic growth.
- The fund should be allocated based on economic need, be at least at a scale of the current programme and start in 2020/2021 to ensure continuity in activity.



## FREE FLOW OF SKILLED PEOPLE

A continued free flow of skilled individuals must be ensured to allow the region’s future growth and workforce needs to be met.

## WORKERS’ RIGHTS

The rights of employees must be maintained and protected as EU law becomes domestic legislation, and workers in the North East must not see their rights fall behind those in Europe.

## FRICTIONLESS TRADE

In recognition of the North East’s key sectors there must be arrangements which allow frictionless, barrier-free trade.

## NATURAL CAPITAL

The environment must be protected and rural and coastal communities supported to maximise the potential and production of food, farming and fisheries.

## VALUABLE PARTNERSHIPS

There must be a continuation of partnerships between the region’s universities, businesses and European research and innovation networks.

We will continue to work in strong partnership between the public and private sector, with the community and voluntary sector and with Government to deliver our shared ambitions for the North East.



(Left to Right): Martin Swales, Dr Henry Kippin, Cllr John McCabe, Professor Steve Fothergill, Mark Easton, Jude Kirton-Darling MEP, Caroline Theobald CBE, Alan Donnelly.

## CONTEXT

On June 23rd 2016 51.89% of UK voters voted to leave the European Union, thereby beginning the process known as Brexit. This ‘Leave’ vote, amplified in the North East at 58%, with all local authority areas, except Newcastle, voting to Leave, has had and will continue to have profound implications.

Negotiation on the terms of Britain’s exit from the EU began on June 19th 2017 and the UK Prime Minister’s decision to trigger the Article 50 exit clause of the EU treaty earlier this year gives the UK and the EU until the end of March 2019 to reach an agreement. As the country navigates this complex process of withdrawal from a set of institutions with which our laws are so entwined, there will be significant changes for our residents and businesses.

The terms of Brexit will decide, among other things: whether British businesses engaging in trade with EU countries will face different customs tariffs and processes; whether British workers will retain a range of employment and human rights previously overseen by the European Court of Justice; how funding and partnerships in scientific research and development will look; whether foreign-owned businesses based in Britain will seek to stay or move their operating bases elsewhere; the position of EU nationals who work in many of our businesses and provide vital services; how our natural environment will continue to be protected; and so much more.

Representatives from the devolved administrations, London and other English regions have already begun putting forward their own specific needs to be considered in the Brexit negotiations; this is the opportunity for the North East to do the same and ensure our voice is heard.



## INTRODUCTION



There is a real chance that life in the North East will look a lot different as a result of our new relationship with Europe and the rest of the World. Our unique regional profile means that we have specific needs and aspirations which differ to other parts of the country.

As a region we have moved out of recession and economic growth has returned to trend, delivering an average of 3% growth in Gross Value Added (GVA) per annum, but we remain vulnerable to economic downturns. Recent research shows that the local impacts of Brexit in the North East could be between a 1.3% and 2.5% reduction in GVA<sup>1</sup>, depending on the sort of Brexit agreed.

The North East's Strategic Economic Plan (SEP), sets out the agreed priorities for economic growth, and more and better jobs, for the region. It identifies four areas of our economy which provide distinctive growth opportunities, highlighting particular strengths in sectors such as digital and tech, pharmaceutical and automotive advanced manufacturing, health and life sciences and subsea, offshore and energy technologies, in addition to enabling factors including financial, professional and business services, transport and logistics, and education.

We have a symbiotic relationship with our European neighbours and unpicking these long standing and often complex relationships will require a precise and careful understanding of our economy, the businesses which drive it and provide jobs for our residents, and the interconnected nature of this ecosystem. Many of our sectors and industries critical to our economic growth are dependent on both European markets and access to skilled workers, often from overseas. We export more services to Europe than any other region in the country and our manufacturing base is integrated into relationships with the EU single market through longstanding supply chains and export sales of manufactured goods.

Our specialism in new and renewable energies relies on innovations and development driven by our desire to tackle climate change, directed in part by EU regulations.

The region's Universities, which have played a significant part in the restructuring of the North East economy, as well as making a clear contribution to the fabric of our culture and society, benefit hugely from their international connections. Ensuring that our universities continue to benefit from partnerships with research networks, business and other Higher Education Institutions in Europe and can access skilled staff and students will be critical in their continued success.

Even prior to the EU referendum, there has been a growing demand in the region for skilled workers in a number of sectors, including engineering, digital and tech and health, so ensuring we have the right mechanisms in place to develop the skills of our residents is key. As a region which has an aging population and a population growing more slowly than other areas we are reliant on an inflow of skilled workers to drive our growth sectors as well as deliver our vital public services. Changes to immigration controls, including the potential end of free movement of workers between the UK and other EU states, will impact on the number of EU nationals coming into the UK, disrupting previous flows of skilled workers into important sectors by creating real and perceived barriers to migration.

As a significant beneficiary of European Structural Funds, the North East has maximised the impact of these important funds, aligning them to our economic priorities and ensuring they have been a vital resource in supporting our strong economic growth over the past decades. Between 2007 and 2020 over £800m of EU Structural Funds will have been invested in the North East. Within the current funding programme €289m of European Regional Development Fund (ERDF) will be invested in supporting businesses, providing finance for business, supporting innovation and putting in place measures to reduce greenhouse gas emissions. €256.9m has been allocated from the European Social Fund (ESF) to support up-skilling in areas needed by business and to support those unemployed back into the labour market. A loss of these funds to the region will significantly dent our efforts to continue to restructure the economy and support our residents in accessing opportunities.

*There's the national picture - which of course is really important - but we also need to have some clarity here in the North East on what's important, what we can offer and what we need.*

CLLR PAUL WATSON,  
Chair of the North East  
Combined Authority  
and Leader of  
Sunderland Council

## BREXPLORATION: THE EVENT

The issues outlined above led us to identify key themes for further exploration with the experts. We wanted to gain a better understanding of exactly how our communities, people and businesses would be impacted, so we could ensure our needs and aspirations are reflected in the Brexit negotiations.



On the 30th June 2017, over 80 key regional experts, from business, those who deliver our public services and run our Universities and colleges, to those who work directly with our communities gathered in South Shields Town Hall to participate in open and collaborative BREXploration discussions.

The event consisted of scene-setting introductions, three intensive roundtable sessions, a plenary and full-group question and answer session, and a talk on Post-Brexit regional policy by Professor Steve Fothergill of the Industrial Communities Alliance. Former MEP Alan Donnelly provided international context, while Mark Easton, Home Editor at BBC News, provided national context and facilitated the event.

Roundtable discussions were split into three themes:

INCREASING PROSPERITY,  
led by Alan Donnelly;

WORKFORCE AND SKILLS,  
led by Caroline Theobald CBE, of FIRST Face to Face; and

COMMUNITY COLLABORATION,  
led by Dr Henry Kippin, CEO of Collaborate.

This report covers the key messages emerging from the in-depth discussions had during these themed round-table sessions, reflects evidence submitted by a range of stakeholders and summarises the key actions and recommendations we will put to Government.

<sup>1</sup> <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

# INCREASING PROSPERITY

The North East<sup>2</sup> is home to almost two million people and its economy generates over £37 billion each year, contributing 2.6% of national output, and jobs for 865,000 people.

The region's Strategic Economic Plan sets a direction for our economy rooted in our determination to foster improved opportunities for our residents and businesses in a modern, diverse and entrepreneurial economy. With support from partners across the region, it outlines a strong ambition – to deliver more and better jobs for the North East.

The ambitions for the North East are:

- support our economy to deliver a 100,000 growth in the number of jobs by 2024;
- ensure 70% of the new jobs delivered are 'better' jobs – offering higher skilled, more productive and better quality opportunities to more people in the area<sup>3</sup>.

The North East is seeing the results of informed investment and strategic interventions with economic growth delivering an average of 3% growth in Gross Value Added (GVA) per annum. In terms of our targets, progress since 2014 has exceeded our expectations: we have record levels of employment, we have seen a higher rate of job growth than nationally, and we are on target to close the gap with national performance in terms of business density and economic activity in the labour force by 2024. Recent evidence shows the area has the strongest potential for GVA and productivity growth of any of the functional economic areas of the North of England<sup>4</sup>.



Professor Steve Fothergill

<sup>2</sup> 7 local authority area of the North East Combined Authority and Local Enterprise Partnership, consisting of Northumberland, North Tyneside, Newcastle, Gateshead, South Tyneside, Sunderland and County Durham.

<sup>3</sup> A better job is defined as being a job in the top three Standard Occupational Classification (SOC) categories, which are: Managers and directors, senior officials, professionals, and associate professional and technical occupations

<sup>4</sup> Source: Transport for North's Northern Powerhouse Independent Economic Review

<sup>5</sup> HMRC Regional Trade Statistics, Sept 2016

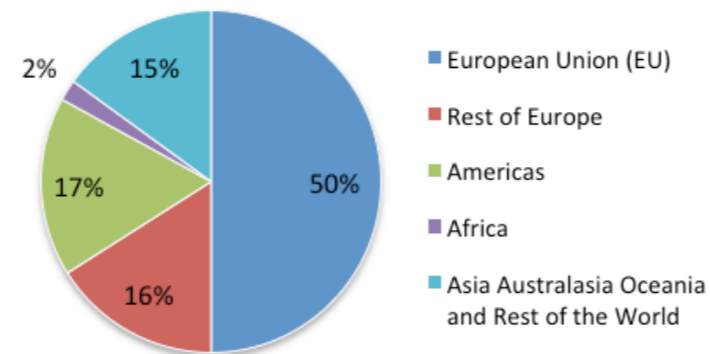
<sup>6</sup> <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/estimatingthevalueofserviceexportsabroadfromdifferentpartsoftheuk/2015>

<sup>7</sup> <http://www.paconsulting.com/newsroom/releases/brexit-may-threaten-car-makers-competitiveness-20-march-2017/>

## Trade & Economically Important Sectors

As a strong exporting area, not least in our growth sectors, the future arrangements for trade and customs are of critical importance to our businesses. The EU is the UK's biggest trading partner, accounting for 48% of goods exports from the UK and 39% of service exports last year. This relationship is even more important for the North East. 58% of the North East's goods exports are to the EU<sup>5</sup>, higher than any other region apart from the South West. The EU market is especially significant for the North East, with 50% of North East service exports going to the EU, the highest proportion of any UK region<sup>6</sup>. Because of the North East's dependency on the relationship with the EU we are at risk of a greater impact as a result of changes to the trading relationship.

### Service Exports from the North East, 2015



As a region our economy has a high concentration of manufacturing making up 14% of our GVA compared to only 9.7% of the national GVA. The automotive sector, one of the region's key strengths, is particularly reliant on trade with the EU for both export sales and imports of key components in the production process. Last year the EU accounted for 42% of UK car exports and 88% of imports. The North East Automotive Alliance estimate that the region's 240 automotive companies generate over £11 billion in sales and over £5 billion in exports with a trade surplus of £2.6 billion. If these companies had to trade by World Trade Organisation rules (10% tariffs on completed cars, 4.5% on component parts) into EU markets, it would potentially make each car roughly £2,300 more expensive<sup>7</sup>. With estimates that at least 100,000 jobs in the region are linked to EU exports<sup>8</sup> it is not difficult to see the importance future arrangements will have for our competitiveness, businesses and jobs.



Brex exploration event

The region has a significant strength in energy technologies, with over 50 companies in the world-leading offshore and subsea technologies industry; it has a combined turnover of £1.5 billion and employs over 15,000 people<sup>9</sup>. The catalyst for much of this innovation is the drive to tackle climate change and develop new more sustainable ways of producing and storing energy. This could be put at risk if environmental protections are not maintained following our exit from the EU.

Regionally we have seen business and employment growth in manufacturing sectors, UK-leading performance in employment in digital and technology businesses, and good performance in business services and education, as well as improvement in other sectors. Internationally, the North East continues to be a net exporting region, with growing levels of inward investment and strong science and cultural links.

However there are a number of weaknesses which will hold back economic growth unless addressed. A particular challenge relates to the delivery of higher regional productivity where there is a widening gap with national performance. Economic exclusion in some parts of the region remains persistent and some of the jobs being generated are low paid and insecure. GVA per head in the North East is £18,927 whereas across England as a whole it's £26,159; the unemployment rate is 6.6%, higher than the average English rate of 4.8%; and average gross weekly earnings in the North East are £494, lower than the £540 across Great Britain.

While the region is showing steady improvement in many measures, the North East could be particularly vulnerable to the consequences of Brexit.

## Natural Environment

The North East's outstanding natural landscape including a national park, beautiful clean beaches and dark skies results in the region scoring very highly in natural capital rankings. It is also the basis for a thriving tourist economy and a significant factor in the high quality of life we enjoy in the North East. Much of the protection of these important assets has been as a result of EU law and regulation and it is important this is not diminished on our exit from European structures.

## European Structural Funds

In the current European Structural and Investment Fund (ESIF) programme, the region was allocated £550.5m over 2014-2020. European Regional Development Fund (ERDF) resources are expected to support over 13,500 local businesses through business support, finance and employment schemes, and European Social Fund (ESF) investments will support 160,000 local people to engage with the labour market. European Rural Development Funds working in very dispersed communities will support 149 businesses and equip 300 premises with super-fast broadband. These funds add scale and new approaches to existing Government programmes. We are still continuing to see the long term impact of past EU Structural Fund investments in the North East; evaluations show that every €1 of Cohesion Policy investment during the previous 2007-2013 programme will generate €2.74 of additional GDP by 2023<sup>10</sup>.

<sup>9</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/509499/Number\\_of\\_regional\\_jobs\\_linked\\_to\\_EU\\_exports.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509499/Number_of_regional_jobs_linked_to_EU_exports.pdf)

<sup>10</sup> NE SEP

<sup>10</sup> [http://ec.europa.eu/regional\\_policy/en/newsroom/news/2016/10/10-07-2016-cohesion-policy-at-work-key-outcomes-of-eu-investments-in-2007-2013](http://ec.europa.eu/regional_policy/en/newsroom/news/2016/10/10-07-2016-cohesion-policy-at-work-key-outcomes-of-eu-investments-in-2007-2013)



## Brexploration findings

- The mood from business is positive; businesses are 'just getting on with it', and attitudes of 'self-reliance' and 'pride' are clear.
- However businesses report seeing the 'Brexit cloud looming': there is evidence of investments and expansions being stalled, because of the uncertainty of Brexit (trading conditions, regulatory systems, etc); of plans for companies to relocate out of the region and into mainland Europe and of concern around impacts on supply chains and the knock-on effects of this.
- There is deep scepticism from business that our exit from the EU can be achieved in the timescales, and a concern that the biggest threat to the economy will come from the inertia rather than the actual detailed arrangements of the deal.
- It is important that the region and its businesses are not cast in a stereotype which is contrary to the facts - the economy is strong and employment levels high. The media has a continued role to play in talking positively about the region.
- The region needs to pull together around the Strategic Economic Plan and a shared vision for the future.
- There must be a replacement for the EU Structural Funds in the region. In replacing EU funds the proposed UK Shared Prosperity Fund provides the opportunity to improve regional economic growth funding and it should have a number of key characteristics:
  - It should be fully devolved to the region to allow strategic management and long-term investment decisions;
  - It should be at least the scale of the current EU structural fund;
  - There is an opportunity to simplify funding and avoid the restrictive silos;
  - The fund should be a multi-year funding programme and should start in 2020/2021 to ensure continuity in activity; and
  - Allocated on the basis of economic need, by formula rather than competitively.
- There must be clarity over the future of the North East Fund, a £145m fund to support North East businesses, drawing from EU Structural Funds as well as investment from the European Investment Bank, which will provide vital finance to the region's growing SMEs.
- Government must continue to put appropriate resources and time behind areas such as infrastructure; investment; skills and regeneration and the delivery and resourcing of the Industrial Strategy, alongside Brexit negotiations.
- There must be the retention of tariff-free trade. This may mean remaining within the current Customs Union, or in a new relationship which provides the same tariff-free arrangement. As a trading region we must guard against the risks the costs of trade tariffs and non-tariff barriers would bring for many businesses.
- To strengthen our voice the region must play a significant role in the Northern Powerhouse; ensuring our key sectors are recognised within the Northern Powerhouse strategy and activities.
- Business scale-up is important as is the pipeline of new businesses achieved through support to start-ups. Government should commit to provide funds for business support beyond 2019-2020.
- It remains difficult to secure bank finances to support business growth; despite the injection of funds from the Government. The Government need to make sure banks are lending to businesses, in particular SMEs.
- The Industrial Strategy White Paper should set out new resources to deliver its aims, building on current local growth funding.
- The Green Economy provides a real opportunity for the region: we have a track record and industrial specialisms, natural assets, and a skills base to build on.
- Inspiring and raising the aspirations of our young people is important for the future of our economy, particularly in areas such as Science, Technology, Engineering and Maths (STEM).
- There needs to be a strong partnership between the private and public sectors to make a success of Brexit: building on our innovative past with ambitious and creative collaborations between the public and private sector to better deliver services.
- There must be inclusive growth in the North East, ensuring all communities see the proceeds of growth.

*Brexit is the reality and we need to reflect the needs of our diverse communities in getting the best deal for the North East. We wanted to talk to representatives from across our region to help us get ready and deliver for communities*

CLLR JOHN MCCABE,  
Chair of South Tyneside  
Council's People Select  
Committee

## WORKFORCE AND SKILLS

### Skilled Workforce

Ensuring we have a skilled and talented workforce for our businesses to continue our strong economic growth trajectory is key. EU migrant workers are important to many sectors including hotels and restaurants, construction and public services. Although we have fewer non-UK nationals working in the region than many other areas we have higher concentrations of sectors such as construction, accommodation and food services, and health and social care services, which may face shortages if EU migrant workers were to leave in large numbers. There are around 2,500 people from the European Economic Area (EEA) working in health and adult social in the North East<sup>11</sup>; losing these individuals could do real damage to our communities and particularly to the vulnerable in need of care.



Regionally we have one of the slowest growing populations coupled with the fact that both the proportion aged 65 and over is projected to be one of the fastest growing among the country<sup>12</sup> and the numbers of the working age population (16-64 year olds)<sup>13</sup> is set to fall. Many other areas of the UK

compensate for demographic challenges by the inflow of migrants who are often younger than the average population<sup>14</sup>. The North East has relatively low levels of migration, however any changes to the migration framework, which might work in more economically prosperous parts of the UK, could put significant pressure on the region's workforce and wider public services.

### Contribution from our Universities

Nationwide universities generate £72 billion for the British economy, over 750,000 jobs and around £11 billion of export earnings for the UK annually<sup>15</sup>. In recent years in the North East, universities and research centres have proved critical in restructuring and driving our economy, in sectors from life sciences and medicines to microelectronics, photonics and nanotechnology. Many of these developments have been as a result of partnerships between EU institutions and funding programmes to further innovative techniques and processes, as well as the strength of the university and research workforce. The Russell Group, representing 24 of the UK's leading universities, estimate that across their institutions there are 61,000 students of other EU nationalities, which equates to 8% of undergraduate students and 15% of postgraduate students<sup>16</sup>, contributing to a diverse student body and a thriving society, culture and economy. And around 24,860 members of staff are from other EU countries: 15% of the overall workforce; 23% of academics and 27% of staff on research-only contracts are EU nationals.

<sup>11</sup><https://www.tuc.org.uk/industrial-issues/public-sector/all-together-nhs/international-issues/tuc-analysis-details-risk-nhs>

<sup>12</sup><http://webarchive.nationalarchives.gov.uk/20160106191530/http://www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/population-and-migration---2013/population-and-migration---north-east.html>

<sup>13</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/subnationalpopulationprojectionsforengland/2014basedprojections>

<sup>14</sup>[https://www.ippr.org/files/publications/pdf/regionalising-migration-NE-as-case-study\\_Jan2017.pdf](https://www.ippr.org/files/publications/pdf/regionalising-migration-NE-as-case-study_Jan2017.pdf)

<sup>15</sup>Universities UK, June 2017 Priorities for exiting the EU to Maximise the Contribution by British Universities to a Successful and Global UK;

<sup>16</sup>[http://russellgroup.ac.uk/media/5499/russell-group-universities-and-brexit-briefing-note-may-2017-\\_ni.pdf](http://russellgroup.ac.uk/media/5499/russell-group-universities-and-brexit-briefing-note-may-2017-_ni.pdf)



## Brexploration findings

- There needs to be a long term skills strategy to increase the level of 'home grown' talent, to ensure that there is a solid pipeline of skilled workers to support the economy, and to ensure that investment is available to develop the workforce.
- Government, informed by business, should develop a sensible approach to visas and immigration and ensure the fears around a 'brain drain' do not materialise. Consideration should be made to providing flexibility for sectors with a current high reliance on foreign workers where businesses need to continue to be able to source labour from outside the UK.

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The Migration Advisory Committee must consider the specific requirements of the North East's workforce and key sectors in its review of EU migration and in its advice to Government.

- The protection of workers' rights is vital to current workers and the future workforce.
  - More needs to be done to tackle the mismatch between skills supply and demand, and ensure enough people are coming through education and training pathways to meet growth and replacement demand.
  - To retain and attract UK workers, there should be a plan to promote the benefits of working in the North East to ensure sectors with mobile or ageing workforces have sufficient sources of labour, particularly in sectors such as ICT and digital, engineering and health and social care.
  - There needs to be a strong voice speaking for the North East to provide balance to Brexit communications which are London focused or from the devolved administrations.
  - There should be mechanisms to allow Government to consult with the region to ensure the North East gets a post Brexit deal that works.
- The current national system of funding for skills is not business friendly. Funding is delivered in silos with complicated eligibility and administrative requirements, therefore many businesses simply do not engage in the skills sector. Funding for skills should be devolved to regions to allow businesses and the public sector to collaborate to design a local skills infrastructure to meet the needs of the regional economy. Funding needs to be committed over the long term, rather than the current system of annual funding allocations, to allow regions to develop long term solutions.
  - More should be done to promote growth sectors and those that provide employment opportunities, for example progression routes to health and social care, engineering, ICT and digital. Career ladders should be developed so that young people, parents and teachers can understand the potential of particular routes, to inform decisions about pathways and qualifications.
  - There should be a partnership between the private, public and education sectors to create and fill quality jobs. The partnership must work together to ensure that a new devolved funding regime is structured to respond to economic opportunities and requirements. As part of this, business will provide clear leadership and express their expectations clearly.
  - Despite the commitment from the Chancellor to guarantee the EU Structural Funds programme until the UK exits the EU, there is concern over the issue of the availability of match funding. There is frustration that the region could see an underspend in the European Social Fund (ESF) that has been made available and greater levels of match should be committed from national Government and its agencies.
  - There should be greater investment in the university sector to enable Higher Education Institutions to respond to employer and sectoral skills demands.



## COLLABORATIVE COMMUNITIES

One important post-Brexit consideration for our region is whether we have the right structures and institutions in place to take forward a number of programs and powers in the wake of Brexit. The Government has promised that devolved administrations will eventually see a 'significant increase' in their decision-making power after EU powers are repatriated to the UK. It is as yet unclear whether the same will apply for the regions of England.

A further important concern for our region is to avoid Brexit fragmenting our communities. Following the referendum, hate crime figures rose in South Tyneside, in the North East and across the country. Community cohesion is a priority for local government and partners including the police, and ongoing efforts to support cohesion include proactive engagement with different cultural communities and awareness raising activities to coincide with Hate Crime Awareness Week.

58% of the North East population voted to leave the EU in June 2016, despite the region being a significant beneficiary of European Structural Funds and international firms using the North East as their gateway to Europe, employing large numbers of residents.

South Tyneside saw the highest level of 'Leave' voters from the seven North East Combined Authority areas at 62%. The vote breakdown across North East varied with Newcastle voting 50.7% for Remain, the only of the Local Authority areas to vote with a majority to remain, while Sunderland voted 61.3% Leave.

The voting patterns did not follow traditional trends. Many have argued what we saw in the 2016 referendum was a reaction against a system that has disenfranchised people, a reaction to globalisation that has shifted power away from familiar people and institutions to more distant and removed figures and a reaction against many communities not seeing the proceeds of globalisation.

## Brexploration findings

- There was an in-depth discussion by the group on the meaning of community, the complex nature of communities and the services they require.
- There was discussion about the model of public service delivery and how the demand for services was outstripping supply, and how the North East wants to see the delivery of its public services in the future.
- There is potential for the region to model how the future of public services could look and a real opportunity to shape the future of public services and how they should be developed and delivered in a post-brexit UK.
- The burden of the welfare state had shifted away from the state and much more on to individuals and business. And in doing so it has allowed some important issues to fall through the gaps including loneliness and mental health.
- There is a need for effective workplace mental health programmes to support the wellbeing of the region's workforce. One suggestion which could help achieve this is the establishment of a regional Health and Wellbeing Board.
- There is a need for the North East Combined Authority to have greater capacity, in a similar vein to the Greater Manchester model.
- The resilience of communities vary greatly and major challenges exist around the role of public services and their ability to effectively incubate social capital. Big regional structures focusing on economic development exist but can feel remote from citizens.



- We need to seek to negotiate a “deal” that helps develop social contracts founded on the principles of co-production and collaboration. In doing so, we need to address questions of whether we have sufficient insight into our communities and how they work, and whether those who deliver services really understand their communities.
- There is a need for investment in social infrastructure alongside physical infrastructure. It is important to promote civic pride and quality of place, the things that make the North East a great place in which to live, work and invest.

*Brexit is a massive challenge to the sustainability of civil society and public services across the North East. But fighting to protect existing rights and entitlements isn't enough. We need to use this break point to ask fundamental questions about whether our model of public services is fit for purpose as demand increases and public finances remain fragile. A post-Brexit future for public services and communities must address the need for system-wide reform that deepens collaboration between sectors, and which is enabled by a re-invigorated approach to devolution which puts better outcomes for citizens and place at the centre. The most valuable resource the North East has is the energy, spirit and productive capacity of its people - in other words, its social and human capital. Building and sustaining this must be at the heart of post-Brexit planning for the region.*

DR HENRY KIPPIN,  
Chief Executive, Collaborate CIC





# CONCLUSIONS & RECOMMENDATIONS

A number of common themes emerged from the BREXploration discussions, these are:

- A real sense of confidence and ambition for the region;
- The desire to unite around a single voice for the North East;
- For Government to listen to the Region and be clear about its post-Brexit vision; and
- The recognition that partnerships and collaborations will be vital going forward

Chief among the themes raised by attendees was greater clarity from Government on a range of issues tied up with Brexit negotiations and the eventual arrangements. From these valuable discussions, consultation and evidence drawn in from a range of stakeholders we have developed an agreed set of Key Recommendations:

## ONE VOICE

The region will speak with one voice, with confidence and self-determination, clearly setting out the needs and aspirations of the North East to inform the Brexit negotiations both at national and European level.

## AGREED ECONOMIC PRIORITIES

The North East unites around the agreed priorities for economic growth, and more and better jobs, set out within the Strategic Economic Plan (SEP), particularly:

- Recognising those sectors which have the greatest growth potential;
- The need for a cohesive business support system which provides support and funding for businesses to start up and grow;
- The North East to strengthen its place as an innovation hot spot in Europe – an exemplar in ‘smart specialisation’ and open innovation systems and practice;
- A focus on creating quality jobs and developing a skilled workforce; and
- An effective partnership between schools, providers and business to develop a pipeline of home grown talent.

## REPLACEMENT FOR EU STRUCTURAL FUNDS

There must be a replacement to the EU Structural Funds, which have been an important source of funding for the North East.

- The proposed UK Shared Prosperity Fund provides the opportunity to simplify and fully devolve a multi-year fund, to allow strategic management and long-term investment decisions in support of inclusive economic growth.
- The fund should be allocated based on economic need, be at least at a scale of the current programme and start in 2020/2021 to ensure continuity in activity.

## FREE FLOW OF SKILLED PEOPLE

A continued free flow of skilled individuals must be ensured to allow the region’s future growth and workforce needs to be met.

## WORKERS’ RIGHTS

The rights of employees must be maintained and protected as EU law becomes domestic legislation, and workers in the North East must not see their rights fall behind those in Europe.

## FRICTIONLESS TRADE

In recognition of the North East’s key sectors there must be arrangements which allow frictionless, barrier-free trade.

## NATURAL CAPITAL

The environment will be protected and rural and coastal communities supported to maximise the potential and production of food, farming and fisheries.

## VALUABLE PARTNERSHIPS

There must be a continuation of partnerships between the region’s universities, businesses and European research and innovation networks.

We will continue to work in strong partnership between the public and private sector, with our colleagues in the community and voluntary sector and with Government to deliver our shared ambitions for the North East.

The agreement to these key recommendations has enabled us to communicate to Government and stakeholders the high-level outcomes the North East wishes to see from the Brexit negotiations. We hope that partners who have been involved in this work will use this agreed North East position in their own discussions.



## NEXT STEPS

This report and the Key Recommendations will be presented to Government to form an important element of Government’s evidence base and ensure negotiations and future policy decisions effectively consider the needs and aspirations of the North East.

South Tyneside Council’s People Select Committee, which commissioned this report, will take forward the BREXploration Commission, continuing to examine and explore the issues highlighted in this report which impact on the residents and businesses of South Tyneside.

*“Whilst others may be happy for London to dominate the Brexit discussions, we are taking the case for the North East and what we want to them. By pulling together the North East can achieve economic and social improvements from Brexit but only if we tell Government what we want. This report will help us to do that.”*

CLLR IAIN MALCOLM,  
Leader of South Tyneside Council



## ORGANISATIONS CONTRIBUTING TO THE EVENT

Collaborate	Howell Technology Group
Office of NE MEPs	Advanced Manufacturing Forum
Northumberland County Council	Newcastle Film Festival
South Tyneside Council	North East England Chamber of Commerce
Northumbria Police and Crime Commissioner	Square One Law
Groundworks	Sunderland City Council
E.Y.	Skills for Care
UKTI	FIRST Face to Face
Nexus	Nine Works
NEPIC	NHS England
International Community Organisation of Sunderland	Geek Talent
Newcastle City Council	Lloyds Bank
Federation of Small Businesses	South Tyneside College
IPPR North	Durham University
Redcar and Cleveland Borough Council	Northumberland Tyne and Wear NHS Foundation Trust
NELEP	The RSA
Bradley O'Mahoney Ltd	Daykin & Storey
Sunderland Software City	H. V. R. International Limited
Patson Burton	TUC

*“It is critically important that communities prepare for Britain post-Brexit, and be able to seize the opportunities and rise to the challenges. I applaud the ambitions of the Brexploration event in bringing key stakeholders together to produce a practical road-map for the North-East, ensuring the voice of this proud region is heard loud and clear in London, Brussels and beyond.”*

MARK EASTON,  
Home Editor, BBC News





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