

REPORT OF THE HEAD OF PLANNING, ECONOMY AND REGENERATION

THE MID DEVON ECONOMY AND THE UNITED KINGDOM LEAVING THE EUROPEAN UNION.

Cabinet Member(s): Cllr Graeme Barnell

Responsible Officer: Mrs Jenny Clifford, Head of Planning, Economy and Regeneration

Reason for Report: To inform members of the potential impact of the UK leaving the European Union on the local economy and of the support structures in place to help ensure business activities continue with minimal disruption.

RECOMMENDATION:

1. **That Members note the report.**

Financial Implications: There are no financial implications arising directly from this report. It is envisaged that business support mechanisms will be funded through partner organisations and through use of existing budgets.

Legal Implications: None directly arising from this report.

Risk Assessment: The scope of this report is limited to information to provide an update on this important issue as it relates to business support and the Mid Devon economy, therefore there are no risks identified.

Equality Impact Assessment: No equality impacts are foreseen.

Impact on Climate Change: This report is for information and therefore no climate change impacts have been identified.

Relationship to Corporate Plan: The Economic Development team helps to deliver the Council's objectives for the Economy:

- Bringing new businesses into the district
- Business development and growth
- Improving and regenerating our town centres
- Growing the tourism sector

1.0 Introduction

- 1.1 There are a number of challenges and opportunities which present themselves to businesses as the UK leaves the European Union and during the transitional process. There are also a number of support mechanisms and resources to which businesses can be referred to help them to both manage change resulting from the Brexit process, and to take advantage of opportunities which present themselves.

- 1.2 Much of the information within this report on the potential impact of Brexit is drawn from Government publications. Mid Devon District Council has also been made aware of the potential impact through direct liaison with businesses, support organisations and other local authorities.
- 1.3 It is important to recognise that this report looks purely at the elements of Brexit relating to the local Mid Devon economy. Given the multiple scenarios that could still happen at the time of writing this report, the paper focuses on the effect of a “no deal” Brexit, as the nature, content and detail of alternatives scenarios involving a deal are unknown at this stage.

2.0 Food and Drink and Agriculture

- 2.1 Agriculture is widely recognised as a key sector which will be affected by the UK leaving the European Union. This is mostly because of the Common Agricultural Policy (CAP), an EU based payment framework which aims to create a level playing field and safeguard farming businesses across the whole of the EU. These payments have helped to secure food supplies and to ensure that farmers are able to make a reasonable living from their produce.
- 2.2 Post-Brexit, the Government has agreed to continue the CAP until a review in 2022. The National Farmers Union (NFU) views this as an opportunity to make changes to the CAP to the benefit of British farmers. This could include restructuring the payments in a manner which will help to reduce cash-flow issues which many farmers currently experience. This could also help to rebalance agriculture across the UK, delivering a higher degree of self-sufficiency. However, the NFU opinion seems to rely on the assumption that the payments will not reduce following the 2022 government review.
- 2.3 Beef and sheep meat producers are the most “at risk” areas of the farming industry both nationally and locally. Government is aware that there is a significant volume of meat being exported to the EU (for example over 37,000 sheep carcasses every week at present). In order to protect the meat industry, Government is proposing to make additional funds available to these specific sectors within the agricultural industry in the event of a no deal Brexit. They may also consider obliging public sector organisations to procure British meat products, to ensure that food which is normally exported can instead be used in the domestic market.
- 2.4 The Mid Devon economy has a significant number of livestock farmers, and the majority of these could be directly affected. There are some local farms which due to their specialist, higher quality product are less vulnerable to the impact of a no deal Brexit.
- 2.5 With regards to the wider food and drink supply within the UK, there have been general concerns about potential shortages of particularly fresh products, as many of these are sourced from the EU. It is possible that Government could temporarily suspend competition laws in order to allow businesses to collaborate on the import, export and distribution of food and drink products in a no deal scenario. This could significantly reduce the risk of shortages across the UK, and minimise as far as possible the impact of increased checks on exports.

- 2.6 There is likely to be a significant increase in the volume of Export Certificates required for businesses in the food and drink industry, as certification could be required for goods being exported into countries in Europe in a similar fashion to how they are exported to other parts of the world at present.
- 2.7 If UK food and drink businesses are able to grow their market share in the UK as opposed to relying on exports, it could enhance local dependence on food and drink producers and diminish reliance on the import market. It could also have an impact on the range of food and drink products available in the UK, whereby products traditionally produced in hotter climates, including from outside of the EU, may become more difficult to import in the short term, until there is greater clarity on the impact of Brexit on trade deals and tariffs.

3.0 Local Businesses

- 3.1 High streets could be negatively affected as a result of Brexit. Importers of high street goods may find that their products become more expensive in the short term, meaning they could either have to raise prices, or take a hit to their bottom line. This could be exacerbated by the fact that the UK economy is, at the time of this report, just one month away from entering a recession (defined as 3 consecutive months of negative economic growth, of which 2 months have already passed). If a recession occurs, the public are less likely to have disposable income to spend on goods and services, and as with more traditional recessions of the past, this could result in high street closures.
- 3.2 However, it is important to recognise that within the Mid Devon economy, high streets have in the past been relatively resilient to recessions when compared to national trends. This is in part due to the nature of our high streets, which have a high percentage of independent traders, and a strong provision of local sourced goods and British products. While it is not suggested that our high streets would be immune to the impact of a recession, they are likely to fare better than high streets in other parts of the UK.
- 3.3 Behaviourally, people are already showing signs of becoming more frugal due to uncertainty in the wider economy. This mirrors the uncertainty being seen within the business community which is reducing the likelihood of major investment decisions being taken until there is a greater level of clarity in what will happen to resolve Brexit.
- 3.4 The majority of Mid Devon's larger businesses are significantly importers and exporters of goods and services, and so there is a risk that they could be affected by changes to the economy and our international trading systems. However, these businesses are also the most likely to be prepared for such changes, and many of them are involved in niche markets where there is less direct competition.
- 3.5 At the time of writing this report no detail of post Brexit trade deals are known. It is expected that such deals will provide opportunities dependent upon their detail. The scale of businesses and sectors that will be in a position to respond and capitalise upon these opportunities is not yet clear.
- 3.6 Tourism is one sector which is likely to experience a boost as a result of Brexit. With changes in the value of the pound making holidays abroad more expensive, the appeal of a holiday in the UK increases and becomes more affordable. Accordingly

there are opportunities from both domestic tourism and additional international visitors. Mid Devon has a growing tourism sector, and MDDC is already developing a number of projects in partnership to support the industry.

4.0 Green Technology and Innovation

- 4.1 Since the referendum in 2016, the Government has been developing proposals to support the growth of a green economy and the decarbonisation of existing industries. It has developed a Clean Growth Strategy, which will see over £600m being allocated to supporting low carbon and renewable technology initiatives. The Government's Industrial Strategy also has clean growth as a common thread running throughout the document and influencing all areas of the economy over the next decades.
- 4.2 This creates a real opportunity for Mid Devon to concentrate its efforts on creating an economic environment conducive to supporting and attracting businesses which operate within low carbon industries.
- 4.3 Other parts of the UK will also be looking to take advantage of opportunities to grow their low carbon industries, based on the Government's strategic plans. However, there are local opportunities which strengthen Mid Devon's case for focusing on developing an offer to attract and grow low carbon businesses, including the Culm Garden Village, the J27 development and other significant housing and employment land developments. These developments give the District the opportunity to market itself to "green" businesses, particularly those with links to the construction industry and renewable energy generation and storage, and low carbon transport, with all of these likely of being well supported by future government funding rounds.

5.0 Business Advice and Support

- 5.1 Action has been taken at a local, regional and national level to help support businesses through the Brexit process, and to ensure that they are able to continue trading with minimal disruption as far as possible. At the national level, the government published a number of implications reports which provided advice to businesses on various issues which could arise as a result of Brexit. These include topics such as importing and exporting, potential VAT regulatory changes, and some sector specific information for example, food labelling requirements post Brexit. There are well over 800 pages of advice for businesses on the Government website (www.gov.uk). As a result of the volume of material published, the Government has recently created a useful tool which asks site visitors 5 questions and uses the answers to determine the Brexit information relevant to their business. This tool has received positive feedback. It can be found at: <https://www.gov.uk/get-ready-brex-it-check>
- 5.2 The Government has also sent various departments including BEIS, MHCLG and the Home Office on regional tours to present to business support organisations, local authorities and businesses about areas of potential change post-Brexit relating to their departments, and what businesses will need to do in preparation for these changes.
- 5.3 The Business Secretary has also recently announced a "No Deal Readiness Fund" of approximately £10m which is available for businesses to bid for to help get them prepared for the event of a no deal Brexit occurring.

- 5.4 For businesses which currently trade goods into or out of the EU and which will continue to do so post Brexit, they will be required to use an Economic Operator Registration and Identification Number (EORI). Government has announced that as many traders as possible will be automatically allocated an EORI number to enable them to trade smoothly once the UK leaves the EU on 31 October. Their priority has been to ensure the VAT registered businesses are allocated their EORI numbers in a timely manner, but non-VAT registered businesses will need to go through a registration process to receive their number. The registration process takes between 5 and 10 minutes to complete and is on the Gov website.
- 5.5 At a regional level, the Growth Hub has been adapting its support so that it is more geared toward supporting businesses to prepare for Brexit. It is now the main place that MDDC refers businesses wishing to access information, advice and guidance on preparing for Brexit. There is also the Brexit Resilience and Opportunities Group (BROG) which was created through the Heart of the South West LEP as the main conduit for sharing information between Government and local authorities, business support organisations and businesses.
- 5.6 At a local level, the economic development team has been in regular liaison with the BROG and MDDC's Chief Executive sits on the group. The Council has been feeding information into BROG and helping to disseminate information being received through government, for example a business survey, and business focused Brexit support event details. It is particularly difficult to develop specific projects at a local level because of the macro-economic nature of Brexit, however, the main role for the local authority at this time is to make sure that businesses are kept up to date with useful information being provided by the Government. It is also important that we are able to support them through advice and signposting during and after this process.

6.0 Other Activities

- 6.1 Outside of the scope of the economic impact of Brexit, it is also worth noting other work being undertaken by the Local Authority which relates to Brexit.
- 6.2 MDDC works with the Devon, Cornwall and Isles of Scilly Local Resilience Forum and as a partner in the Devon Emergency Planning Partnership (DEPP) to ensure a joint approach when responding to events. The Council has practiced our plans, trained our staff and importantly built working relationships with colleagues far and wide. In doing that we are well placed to weather any storm. The Local Authority does not have a Brexit specific plan, but has a plan that sits in a regional and national context to ensure we are able to deal with whatever comes our way. Brexit at its simplest in Mid Devon, as a District Council without a Port Authority, is one of the many possible triggers leading to abnormal operating conditions.
- 6.3 The economic development team will keep members updated via the Economy PDG as the Brexit process progresses and as further information relevant to local businesses becomes available.

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List of Background Papers:

Supporting information from Government Website <https://www.gov.uk/brexit>