



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

**Finance, Economic Development and  
Corporate Services Overview and Scrutiny  
Committee**

22 February 2022

**Report of: Councillor Kelham Cooke**  
Leader of the Council



## The post-Brexit South Kesteven economic climate

This report provides an update on current evidence regarding the impact felt by South Kesteven's economy since the implementation period ended and the United Kingdom left the European Union single market and customs union.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Growth</b>	<b>Non-Key</b>	<b>All Wards</b>

<b>Reviewed by:</b>	Nicola M <sup>c</sup> Coy-Brown, Director of Growth and Culture	28 January 2022
<b>Approved by:</b>	Karen Bradford, Chief Executive	3 February 2022
<b>Signed off by:</b>	Councillor Kelham Cooke, Leader of the Council	3 February 2022

### Recommendations to the decision makers

It is recommended that members of the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee:

1. Make a request to the InvestSK Limited Board to encourage officers to maintain ongoing analysis of the impact of Brexit on businesses and report any notable trends in the local economy to the relevant Portfolio holder and this committee.
2. Identify any further action resulting from the discussion during the meeting.

## The Background to the Report

- 1.1 The Corporate Plan (2020-2023) aims to shape the future of South Kesteven. The Plan has a strong focus on making South Kesteven a beacon for public service leadership, as well as economic growth and development. The world in which we live is ever-changing and the Plan reflects that, with strong commitments around place shaping, infrastructure and making South Kesteven the best district in which to live, work and visit.
- 1.2 To deliver the growth ambitions, it is crucial that South Kesteven is resilient, continually adapting and responding to wider economic change, and continues to capitalise on the uniquely distinctive attributes that have given the district its competitive edge when compared to other localities. Members need to be aware of factors within and outside of the control of local government that impact and shape the local economy. This report aims to do that.
- 1.3 "Brexit" - the term used to describe Britain's European Union (EU) departure, represented the most important constitutional shake-up the United Kingdom (UK) had known since it joined the six-nation European Economic Community in 1973. It was also the first time the European institution had lost a member.
- 1.4 As widely reported, the UK ceased to be a member of the political institutions of the EU on 31 January 2020. Today, there are no UK Members of the European Parliament (MEPs) in the European Parliament, no UK commissioner and UK ministers no longer attend meetings of the European Council. Everything else has remained the same. An implementation period was in place until 31 December 2020 and a new relationship with the EU began.
- 1.5 Against this backdrop, South Kesteven District Council (SKDC) has adopted a pro-active approach to understand the main threats and opportunities facing local businesses and the economy and put in place responsible business and skills support services via InvestSK Limited, the council-owned economic development, inward investment and visitor economy company.
- 1.6 SKDC has continued to deliver major projects to create the conditions to grow the local economy and ensure businesses can thrive in evolving global markets. This includes supporting the administration of over £51m of COVID grant support to 3,000 businesses across the district, securing £5.56m for the Grantham Future High Street Fund, additional funding to support delivery of the Grantham High Street Heritage Action Zone and £252,909 of Welcome Back Funding.
- 1.7 From mid-September 2020, through to April 2021, SKDC through InvestSK Limited, were represented on a Lincolnshire-wide Local Authorities Group charged with identifying the pre and post impact of Brexit, in particular the effect on the business community. The group reviewed risks, the controls in place and shared information, focussing efforts on planning and supporting businesses navigating through the nationwide issue (during the implementation period). Engagement in this Group ensured the Council made leading contributions on coordinating the areas response and remedial actions to key issues pertinent to business and the economy. In addition, Officers took part in multi-agency seminars, workshops, training and teleconference to assist in preparedness. The group was then disbanded in April 2021 as there were so few enquiries and requests for support and information coming through from businesses across the County.

- 1.8 Central Government were responsible for the flow of supporting information to businesses and their employees, with the Council being the local catalyst to ensure the relevant information was available and easily accessible to support specific enquiries.
- 1.9 InvestSK Limited provided a prominent link on their website to take enquiries from businesses, individuals and families directly to the applicable Government sites (which evolved as more information became available): <https://investsk.co.uk/uk-transition-from-the-eu-brexit/>
- 1.10 The most requested questions centred on advice about:
- importing goods from the EU
  - exporting goods to the EU
  - moving goods to or from Northern Ireland
  - travelling to the EU
  - living and working in the EU
  - staying in the UK if you're an EU citizen
- 1.11 The high level of online advice and signposting negated the need for significant in-person support. However, there were occasions when businesses in South Kesteven required expert knowledge of specific, often complex, subject matters.
- 1.11.1 A particular issue identified by some of the district's largest and best-known employers, related to an inability to operate effectively under the new Brexit regulations regarding the 'rule of origin' on importing and exporting of components. It became difficult for businesses to import numerous parts from around the world, assemble and distribute, given the varying tariffs and restrictions placed upon each part originating from outside of the UK.
- 1.11.2 With support from Foreign Direct Investment (FDI) colleagues at Lincolnshire County Council (LCC), the Council were able to broker the necessary business support from senior Department of Trade and Industry (DIT) and Department for Environment, Food & Rural Affairs (DEFRA) officials which ultimately prevented the potential for job losses resulting from the new rules.
- 1.11.3 The more commonly reported issues faced by our businesses locally because of the EU exit and or which the latest advice, guidance and signposting was provided, were:
- Importing and exporting of goods
  - Regulations and standards for products
  - Employing EU citizens
  - Intellectual property
  - Data sharing and compliance with the General Data Protection Regulation (GDPR)
- 1.12 During the transition period, the number of direct contacts from businesses was extremely low. This mirrored the county, as reported by the Lincolnshire Growth Hub, where a mere 41 businesses contacted the dedicated 'EU Exit helpline'.
- 1.13 It is worthy of noting South Kesteven's diverse business base. A lack of dependency on a small number of key sectors to drive the economy and employment levels, has meant the district did not feel the impact of either the EU Exit nor the COVID-19 pandemic, as heavily as other areas nearby and further afield. This has provided a degree of resilience within

the local economy, not as easily found in other parts of Lincolnshire where densely populated sectors (such as farming, agriculture, food production, tourism and hospitality) have been greatly affected.

1.14 The agri-food sector combines agriculture and food manufacturing with a strong focus on agri-tech (robotics) and the supply chain. Greater Lincolnshire has an international reputation for food, fish, and farming and has one of the largest concentrations of food manufacturing, research, storage and distribution areas in Europe. The area is responsible for growing 30% of the nation's vegetables and producing 18% of the poultry, with a total agricultural output of over £2bn in 2019, representing 12% of England's total production. County-wide impacts on this sector have been identified as:

- Several tenants reporting challenges in dealing with the new international trade regime.
- Tenants facing increased costs coupled with a significantly increased administrative burden for exports. This has led to delays in complying with the necessary requirements for inspection. For example, when a vegetable producer is looking to export, the potential delay of several days does not align with the expectation of buyers.
- A few businesses, prior to EU exit, regularly exported to the Netherlands with deliveries taking place within 24 hours of an order being placed. Post Brexit, it now takes several days due to the requirements to have the goods inspected. This delay has proven unacceptable to the purchaser.
- The delay in the delivery of perishable goods causes deterioration in the quality of the product. Farmers who previously had regularly exported across the Irish Sea, are now unable to sell to those customers as the goods are likely to be held for several days on landing, pending inspection. After which time, the load is un-saleable.
- Estimates indicate there are 500,000 unfilled vacancies across the UK food supply chain. This is a dilemma faced locally for which businesses have reported increasing difficulty in solving over the past year or so. It is a particular issue for the more intensive horticultural businesses which are growing vegetables, potatoes, and flowers.
- Businesses have reported difficulties sourcing labour, labour turning up demanding increased pay to work, operatives receiving better offers and going elsewhere. Some labour suppliers have been asking for £20 per hour to supply agricultural labourers. One of the larger farming businesses involved in the growing, processing and packing of brassicas for the supermarkets, reported that their labour costs has increased by 25% year on year.
- There is a view that deliveries are slower due to the shortage of haulage drivers. Aside from the concern at sourcing haulage when required, businesses have expressed concern that this will inevitably lead to higher costs.

1.14.1 As identified these issues are reflected at local level, yet without the level of negative impact felt in other parts of Lincolnshire.

1.15 In summary, whilst some level of disruption is apparent it has not presented itself as a detrimental long-term negative impact on the local economy. Labour shortages do exist yet have not led to wide-scale business closures or production failings. However, the impact of Brexit on shortages has at times been difficult to distinguish from that of the

coronavirus pandemic. The earlier reference to a resilient South Kesteven economy, has greatly minimised the overall impact of Brexit on the district-wide business base.

## **Consultation and Feedback Received, Including Overview and Scrutiny**

- 2.1 This report is presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee at the request of Members.
- 2.2 As part of this ambition for South Kesteven, the Leader of the Council and InvestSK Limited have been actively engaging with, and supporting networks, especially for the 5,990 value-added tax (VAT) or pay as you earn (PAYE) business enterprises based in the district (cross reference with 14.1).
- 2.3 InvestSK runs the InvestSK Tea Break events and is an active member of several business support and networking groups. This had enabled InvestSK to design new responsible business support activities and cross-refer businesses to specialist international trade support providers more effectively. Therefore, much of the content of this report is down to direct feedback received from businesses.

## **Available Options Considered**

- 3.1 Option 1 – Do nothing. As elected members can help create an environment that supports the growth and expansion of local businesses, primarily by opening lines of communication, this option was discounted.
- 3.2 Option 2 – Commission an external organisation to undertake a detailed consultation exercise with businesses across South Kesteven to obtain comprehensive data relating to the impact of Brexit. Such an approach would incur costs for the Council as part of the commissioning process. It is believed that thanks to InvestSK's active involvement with business support and networking groups, this already provides the Council with sufficient detailed and updated insights on trends, threats and opportunities affecting local businesses. For these reasons, this option was discounted.

Option 3 – To recognise that primarily it is Government that should be monitoring and supporting businesses through the transition period and further from the EU. And to acknowledge that at local authority level we could spend a lot of money researching more issues, but ultimately we have no powers to affect change, just an influencing role into the LGA. Something that is vitally important given the LGA and other central bodies have communicated little to businesses since the early days post transition.

This option is therefore to take note of the findings of this report and request InvestSK maintain ongoing analysis of the impact of Brexit on businesses within South Kesteven and communicate back to national level through the recognised channels and to lobby them in recognising the need for ongoing support, particularly given a number of the issues identified are ongoing to this day...

## **Preferred Option**

- 4.1 Option 3 is preferred. SKDC, through InvestSK Limited, will continue to work with local business support and economic development partners, to continue collating information regarding the key challenges and opportunities facing South Kesteven businesses. Ultimately giving us the necessary information to be able to lobby relevant Government departments in continuing to recognise the ongoing issues faced by local businesses as a result of EU exit.

## **Reason for the Recommendations**

- 5.1 Throughout the COVID-19 pandemic and the EU Exit, InvestSK Limited have maintained regular contact with over 1,000 local businesses. This has led to an unprecedented level of local knowledge and these relationships will continue going forward. As such, any trends in the local economy can be quickly identified, addressed and reported accordingly.

## **Next Steps – Communication and Implementation of the Decision**

- 6.1 To produce an update of the South Kesteven Economic Intelligence Report (last produced in June 2019), [Layout 1 \(investsk.co.uk\)](https://investsk.co.uk) to provide an accurate assessment of the local economy and the impacts resulting from both COVID-19 and Brexit.
- 6.2 In the meantime, the monitoring of business feedback will continue. In keeping with current practice, any anomalies and unforeseen events will be communicated to the relevant portfolio holder and committee should there be any specific areas of concern to the district-wide economy.

## **Financial Implications**

- 7.1 There are no specific financial implications to the Council in the content of this report. Should there be any policy or proposed responses to the issues raised in the report then the financial considerations would need to be considered at that time.

**Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance**

## **Legal and Governance Implications**

- 8.1 The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is the appropriate body to consider the content of this report.

**Legal Implications reviewed by: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer**

## **Equality and Safeguarding Implications**

- 9.1 *Keeping Children Safe in Education (KCSIE)* – KCSIE provides statutory guidance on how to safeguard children and on safer recruitment. This key document guides all the educational settings to safeguard children and young people. The KCSIE document is updated by the Department for Education every 1 to 2 years. Following the UK leaving the EU, two substantive changes relating to recruitment were made. Further details available online at:

<https://www.gov.uk/government/publications/keeping-children-safe-in-education--2>

- 9.2 *Women's Rights* – Women have benefited from the legal protections that have come from the EU, such as the Part-Time Worker Directive (2000) and Fixed Term Worker Directive (2002), and protections for unpaid carers, pregnancy and maternity rights, equal pay and those relating to sex discrimination. These protections are currently part of EU retained law; however, the government has recently announced a review of retained EU law (REUL).
- 9.3 *Residency rights* - the Immigration and Social Security Coordination (EU Withdrawal) Act 2020 ended free movement on 31 December 2020. On 1 January 2021, a grace period of six months began, during which time relevant aspects of free movement were saved to allow eligible EU, European Economic Area (EEA) and Swiss (EEA) citizens and their

family members resident in the UK by 31 December 2020 to apply to the EU Settlement Scheme (EUSS). This period ended on 30 June 2021. Further details available online at:

<https://www.gov.uk/right-to-reside>

- 9.4 *Employer Right to Work Checks* - Employers must prevent illegal working in the UK by carrying out document checks on people before employing them to make sure they are allowed to work. Guidance on right to work checks are available online at:

<https://www.gov.uk/government/publications/right-to-work-checks-employers-guide>

### **Risk and Mitigation**

- 10.1 As detailed within the body of the report, there has been minimal impact detected through monitoring arrangements, meaning information flow is being dealt with by normal service resources. InvestSK Limited will continue to monitor the situation closely. This structure is in place as a proportionate way to ensuring that there is strategic oversight in place.
- 10.2 InvestSK Limited will continue to design and implement appropriate business support measures in response, as changes emerge.

### **Community Safety Implications**

- 11.1 Leaving the EU has meant rules and procedures have changed for some industries. The responsibility to protect health and safety of people affected by work activities remains. There are some new rules and procedures which must be followed to continue to place chemicals, civil explosives and work equipment and machinery on our domestic market. Specific guidance for these industries and work activities can be found online at:
- <https://www.hse.gov.uk/brexit/index.htm>

### **How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

- 12.1 Following Brexit, the UK has regained greater control over its domestic markets and is now able to push through legislative measures to support ambitious emissions reduction targets more easily. For example, enforcing a national ban on petrol and diesel vehicles ahead of other EU countries would not have been possible had the UK remained in the EU. It also has greater flexibility to pursue new innovations and diplomatic approaches. Leveraging such strengths will support the ambition to reduce the Council's carbon footprint by at least 30% by 2030 and to endeavour to be net-zero carbon by as soon as viable before 2050.

### **Other Implications (where significant)**

- 13.1 None

### **Background Papers**

- 14.1 *Labour Market Profile for South Kesteven District Council*, published on the National Online Manpower Information System (Nomis, a service provided by the Office for National Statistics, UK, accessible online at:
- <https://www.nomisweb.co.uk/reports/lmp/la/1946157153/printable.aspx>
- 14.2 To find out which trade agreements the UK is negotiating and which trade agreements the UK has already signed, please visit:
- <https://www.gov.uk/government/collections/the-uks-trade-agreements>

## Appendices

15.1 None