

Report to: Regeneration and Community Committee

Agenda Item: 4.1

Report Title: Update on Research Undertaken into Potential Impacts to the Council Area of Brexit (**Paper A**)

Date: 14 March 2017

Report by: Director of Regeneration and Planning

For Publication: Yes/~~No~~ (*please delete as appropriate*)

If 'not for publication', Insert reference to grounds upon which information is deemed 'confidential' [ref Local Government (Northern Ireland) Act 2014 section 42(2), (3)] or 'exempt' [ref Local Government (Northern Ireland) Act 2014 section 42(4) Schedule 6]:

(i) Confidential grounds: N/A

(ii) Exempt grounds: N/A

1. Relevant Background and Introduction

- 1.1 The Council has previously agreed to participate in a collaborative research project led by Newry, Mourne and Down District Council (NMDDC) on behalf of the other Border Corridor Councils to carry out an initial analysis of the risks and opportunities which may be posed by Brexit to the area. The report which follows has been prepared by NMDDC as a generic report for consideration by each of the Councils participating in the study.
- 1.2 The participating Councils include Newry, Mourne & Down DC, Derry City & Strabane DC, Causeway Coast & Glens DC, Fermanagh & Omagh DC, Mid Ulster DC, Armagh City, Banbridge & Craigavon DC; Cavan CC, Donegal CC, Leitrim CC, Louth CC, Monaghan CC and Sligo CC. East Border Region Ltd has acted as coordinator for the project.
- 1.3 The Ulster University Economic Policy Centre (UUEPC) have been asked to explore the potential impacts of Brexit on the Council areas which touch the Irish border and therefore make up the 'Border Corridor' area. This note to the Councils sets out the key findings to date and the recommendations to Elected Members which arise from these.
- 1.4 **Members are reminded that Council powers have been devolved to this item.**

2. Key Issues

- 2.1 The project to date has involved the gathering of data by UUEPC in order to
- Provide an economic profile of the 'Border Corridor' area;
 - Identify the policy areas in which Brexit is most likely to make an impact; and
 - Forecast the employment performance of the Council areas to 2026 against a number of different economic scenarios.
- 2.2 The data collection has been supplemented by a series of consultations with Chambers of Commerce, other business organisations, community development bodies, banks and economic development agencies in the 'Corridor'.
- 2.3 The two strands of work have been informed by an understanding that, while the proposed shape of a Brexit is becoming much clearer (and 'harder'), the risk posed or opportunities presented remain a matter of speculation and will need to be made subject to revision on an ongoing basis.
- 2.4 The key findings include;
- 2.4.1 The Council areas on both sides of the border, when taken as a bloc, lag behind the economic performance of the Republic of Ireland and Northern Ireland more generally. With productivity (GVA per capita) ten of the 12 Council areas lag significantly behind the 'national' averages, while and participation in the labour market.
- 2.4.2 There are many reasons for this – including limited urbanisation and the impacts of peripherality – but it is also a direct result of (1) an industrial structure in which lower productivity sectors are more significant, and (2) firm structures where the local economies have higher proportions of small and micro businesses.
- 2.4.3 The €3 billion value cross-border trade and the GB market (for exporters from the Southern Border Counties) are crucial trade options for the Corridor, with more businesses engaged in this trade than in exports to the rest of the EU or further afield. Cross-border trade and Ireland/GB trade are dominated by sales of goods by the agri-food, building materials and chemicals sectors.
- 2.4.4 These three sectors, alongside fisheries, are exposed to risks of significant tariffs and non-tariff barriers (eg: an end to common standards) and are more significant to employment in parts of the Border Corridor than in many other parts of the island.
- 2.4.5 Agri-food is of particular importance, both in employment terms and as source of almost half of all cross-border trade in goods (€1.41 billion in

2014). Typically production of dairy and meat products are highly integrated crossing the border several times before being packaged and sold to consumers – 45% of the meat produced in the Republic of Ireland ends up in the UK market while 35% of milk produced in NI ends up in ROI outlets or processing there into product exported the other countries.

- 2.4.6 With the importance of cross-border and Ireland/GB trade in the Border Corridor, the Councils need to consider mitigation measures including short term ones (supports with managing exchange rates), medium term ones (understanding better the sectoral – especially agri-food - and firm-level impacts in Council areas) and long term (promotion of more exporters and better diversification to new markets).
- 2.4.7 EU funding is the next most important policy area which is exposed to risk (ending for NI after Brexit) and will depend on mitigation from other funding sources. The funding, worth upwards of €5bn to the Border Corridor to 2020, ranges from CAP and skills development programmes, to cross-border or Peace funds (which impact throughout the Border Corridor).
- 2.4.8 FDI is a policy area which will bring risks and large opportunities to the island depending on access to the EU market – the significance of FDI to the economy in the Corridor varies greatly from place to place but overall it has delivered over 7,000 jobs to the area in the past 5 years. Like cross-border shopping this is a competitive area for Councils although it may need to be explored how to adopt a joint approach to sell the Corridor as a whole in the context of Brexit.
- 2.4.9 Movement of people will be a critical consideration in the Border Corridor. In 2015 almost a million cross-border journeys were made every week at border crossings along the Corridor in order to access work, education and other services. Migrants from EU and non-EU countries are critical to businesses and public services in sectors such as sea fishing, accommodation, healthcare, where they can make up more than a quarter of all staff. Freedom of movement is also critical for the more than 3 million visitors to the Border Corridor in 2015 whose expenditure amounted to more than €600 million.
- 2.4.10 The economic forecasts – based upon a scenario where Brexit impacts on investment and trade but not on consumer spending – show that employment will be increased in all Council areas out to 2026 but significantly below what might have been.
- 2.4.2 Also attached for Members' information is a separate, but related report jointly commissioned by Derry City and Strabane District Council and Donegal County Council, entitled Initial Analysis of the Challenges and

Opportunities of Brexit for the Derry City and Strabane and Donegal County Council areas – the North West City Region.

3. Resource Implications

3.1 Financial

Appropriate financial provision to support the Council's contribution to the project has been made in the budgets.

3.2 Human Resources

N/A

3.3 Assets and Other Implications

N/A

4. Equality and Good Relations Implications

N/A

5. Sustainable Development Implications

N/A

6. District Electoral Area(s) Affected

All

7. Recommendations

It is RECOMMENDED that the Council notes the update report and, in conjunction with each of the Councils along the Border Corridor agrees:

- (i) To work collectively as a lobby group for the Border area to show that the Border Corridor is going to be most affected by Brexit and thus must have its own voice heard in any negotiating;**
- (ii) That while they have competing interests and will seek to maximise opportunities, all Councils accept that some of the weakest economies on the island of Ireland are those economies along the border and, as such, will be most in need of protection against negative impacts of Brexit;**
- (iii) To work with Inter-Trade Ireland and the relevant Government Departments to help mitigate the impact of Brexit along the Border areas.**

(iv) Given this is a period of change which will continue for many months, there will be a need to continue gathering information and monitoring the changing conditions; and

(v) To hold one or more cross Council seminars to inform Members and Chambers of Commerce on the results of the research and to gather opinions to use in lobbying. The seminars would have the following objectives:

- a. To communicate key findings of the initial research to a wider audience;**
- b. To provide an opportunity to hear from Inter-Trade Ireland on the sectoral analysis and Brexit supports for business; and**
- c. To gather feedback from attendees on the Brexit issues facing businesses in their area.**

8. Appendices

Appendix 1 - Initial Analysis of the Challenges and Opportunities of Brexit for the Derry City and Strabane and Donegal County Council areas – The North West City Region.