

Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

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Subject: **Preparing for Brexit – Supporting Businesses**

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1 Purpose of this report

- 1.1 To update the LEP Board on work to prepare and support the City Region's businesses ahead of the UK's withdrawal from the European Union (EU), and to ask for the Board to endorse a number of options for business support programmes should the UK leave the EU without a negotiated deal.

2 Information

- 2.1 An update was provided to the Board in January on developments in the global, national and local economies and on how the LEP was supporting businesses, people and communities as the UK transitions to a new trading model. This work has continued, with a number of programmes, including on investment readiness and business resilience, shortly ready for delivery.
- 2.2 It is important that the LEP is well prepared to respond to the requirements of businesses as a result of Brexit, and therefore economic intelligence will continue to drive any decisions. The LEP will also continue to seek further clarity and details from central government, and ongoing discussions are taking place with Government departments to ensure that the advice to businesses is up to date and that future decisions on national support and funding are coordinated alongside local offers.
- 2.3 The Growth Service is providing intelligence to the BEIS Growth Hub Network to provide local insight and aid national Brexit preparation. The LEP website has also published Brexit guidance using .gov sources. The current "Europe Checklists" signposting on the "For Business" section of the website has now been enhanced by the addition of a dedicated "**Preparing for Brexit**"¹ **mini-hub** (this went live on the 14 January 2019); consolidating a wider range of information and support assets to business in a single resource.

¹ <http://www.the-lep.com/lets-talk-brexit/>

Business Support products in a non-negotiated exit from the EU

2.4 In addition to the above planned activity, due to the continued uncertainty regarding whether a deal will be agreed by the 29 March following the decision of the UK Parliament to seek an extension to Article 50, and the potential for there to be a non-negotiated exit from the EU even if an extension is agreed, it is right that the LEP also prepares what its response might be in the event of a non-negotiated exit. The main focus for the LEP will be on how it could assist businesses in the short term to overcome potential barriers and challenges, as well as maximise any opportunities.

2.5 The options at 2.8 below have been developed and discussed with members of the Business, Innovation and Growth Panel, and could form the basis of the LEP’s response to a non-negotiated exit from the EU. This does not include any cash flow assistance for businesses, which although could be required, would be best delivered through a centrally coordinated, national initiative (in the form of a deferral of VAT payments for example).The options have been developed on the basis of the following design principles and success criteria:

2.6 Design Principles

Principle	What this could mean
Focussed	<ul style="list-style-type: none"> Understands where the LEP can meaningfully make a difference, and focusses resource and effort for maximum impact. This also means acknowledging where it cannot / should not act, and where others are better placed e.g. DIT on the Export agenda. A focussed approach may also mean acting proactively to communicate with businesses known to be impacted, rather than the emphasis being on businesses to contact the LEP.
Short term	<ul style="list-style-type: none"> That support is time limited and aimed at overcoming immediate shock impacts/assisting with new opportunities, or providing a short timeframe intervention that can support longer term sustainability. That any longer term support clearly demonstrates short term safeguarding or exploitation of opportunities
Sustainable	<ul style="list-style-type: none"> That where funding needs to be reprioritised to new or existing programmes of support then this is appropriately monitored and in line with State Aid and Procurement rules That extensive support requirements will need additional funding from government
Inclusive	<ul style="list-style-type: none"> Ensures investment and benefits are used fairly and consistently.

2.7 Success Criteria (measured in numbers of)

- jobs safeguarded / jobs created
- businesses accessing expert support on a Brexit related matter
- new business accreditations
- businesses purchasing / renting additional warehouse/storage facilities
- businesses signposted to the correct support (advice service)
- businesses supported to export / access new markets
- firms supported to retain migrant labour / source alternative labour

2.8 Business Support options

Brexit Transition Grant Scheme

The LEP could offer a short run of grants/vouchers:

- to access private sector expertise to assist with financial planning, supply chain mapping/interrogation, deep dive customer analysis, capacity-building of senior management, exploring/developing overseas markets (to complement Government offers) etc.
- to back-fill salary costs of key staff members that are moved on to Brexit-related planning for defined periods
- to support rental costs for businesses that need to use additional warehouse/storage facilities to hold additional stock, particularly for import/export businesses
- to support businesses to meet any new/additional regulatory requirements (including accreditations). This will be very sector/industry-specific.

Capital Grants Programme

Capital investment grants for businesses, with a focus on safeguarding jobs (replacing jobs created as a core criteria if required):

- Could contribute up to 50% towards capital investment in equipment, technology, premises. This could be split into a 50% grant on investment and 50% on no net job decrease within 6 months (to demonstrate safeguarding), or a 75% / 25% split on the same basis.
- Key challenge will be to prove that the safeguarded jobs are at risk e.g. minutes of a Board Meeting - financial forecasts would need to be certified by a qualified accountant.
- This could follow the same principles as with the LEP Business Flood Recovery Fund, and utilise existing Business Growth Programme processes.

Advice Service

Establishment of a bespoke advice response service, linked to the Growth Service but with access to additional private sector expertise:

- it is likely that the Government's national business support helpline will be positioned as the main frontline response service for businesses, so any changes to the Growth Service helpline would need to be coordinated with the national provision
- Would require access to expertise related to financial planning, regulation, overseas labour etc.
- Volume of enquiries is difficult to predict, but likely that this will require further resourcing within the Growth Service. This could either be resourced locally to sit in the growth hub, subcontracted out, or could be a joint venture (perhaps at a Northern LEP level).
- Will require the procuring of external support to ensure availability of advice in a timely manner.

Exporting for Growth Scheme

EGS (the Department for International Trade's contractor in the City Region for the delivery of export support services) is considering applying for an extension to the ESIF Exporting for Growth Scheme. If the existing Scheme is not extended beyond June 2019, the LEP could bridge the funding gap to continue the programme, include additional activity and funding.

2.9 Next steps

- 2.10 It is important that the action of the LEP aligns and complements both local authority and Government activity. Therefore the LEP has begun to engage with Government on the basis of the options above, to open up discussions on the potential need for relevant flexibility over Growth Deal monies and to flag the probable need for additional funding. This is particularly critical in relation to the Brexit Transition Grant, which would require revenue funding to support the voucher scheme.
- 2.11 Subject to a possible agreement with the EU on the length of the extension to Article 50 and subsequent negotiations, or in the event that a non-negotiated exit takes place on the 29 March, option development and then implementation will need to be carried out at a pace that ensures delivery can begin in a timely manner as the UK exits from the EU.
- 2.12 Further work will be required to draft scheme application forms, decision-making processes and approval structures so that programmes can be swiftly operationalised as needed.

3 Financial Implications

- 3.1 There are no financial implications directly arising from this report. However, if the LEP decides to deliver the business support programmes outlined, then financial resources will be required. These will need to either be allocated from Local Growth Fund (subject to agreement from Government on using funding for the proposed options) or provided by Government. If no additional funding from Government is provided, we would require permission from Government to use the LEP's existing Local Growth Fund grant funding (which can only support capital investment) for revenue purposes; for example to deliver the Brexit Transition Grant Scheme.

4 Legal Implications

- 4.1 There are no legal implications directly arising from this report. If the LEP decides to deliver the business support programmes outlined, then procurement exercises may need to be taken quickly to find delivery partners for schemes such as the Brexit Transition Grant.

5 External Consultees

- 5.1 No external consultation has been undertaken directly on this report. However, extensive consultation, particularly with Government departments and local authority partners, as well as intelligence gathering from businesses, has taken place on Brexit-related issues and impacts, and will continue.

6 Recommendations

- 6.1 The LEP Board are also asked to comment on and endorse in principle the proposed options for business support in a non-negotiated exit from the EU, in

order that they might be further developed and implemented as required in the period after the UK leaves the EU.

7 Background Documents

None.

8 Appendices

8.1 None