

**Report to:** West Yorkshire Combined Authority

**Date:** 25 April 2019

**Subject:** **Brexit Update**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	N/A

## 1 Purpose of this report

- 1.1 To provide a further update to the Combined Authority on the organisational preparation being undertaken by the West Yorkshire Combined Authority and Leeds City Region Local Enterprise Partnership (LEP) as the UK prepares to leave the European Union, in particular on the decision of the LEP 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 Following the update provided to the Combined Authority in February, preparations have continued, including close cooperation with the work of individual and collective West Yorkshire local authorities and at the Yorkshire and Humber level. Officers from the Combined Authority contribute to regular dedicated meetings of the West Yorkshire Resilience Forum alongside local authorities and emergency service partners, providing in particular updates in relation to transport services, businesses and organisational impacts.
- 2.2 Regular contact is taking place with bus and rail operators in the region to understand risk and contingency messages. Latest feedback confirms that larger operators have been looking at securing supplies and stockpiling more

vulnerable parts and items from their supply chain, as well as making sure that their existing workforce is supported and can operate as normal. Longer term impacts once the UK leaves the European Union are also being considered.

- 2.3 The Combined Authority continue to prepare all internal services for the potential impacts of the UK leaving the European Union, and to support staff who may be required to apply for Settled Status. The Combined Authority also continues to seek further clarity and details through ongoing discussions with central government departments across a range of issues. Funding of £91,000 for 2019/19 has been received from the Ministry of Housing, Communities and Local Government to assist in Combined Authority preparations, with the same amount expected during 2019/20.
- 2.4 The remainder of this report considers specifically the issue of responding to the requirements of businesses as a result of Brexit, and in particular the options discussed and endorsed in principle by the LEP Board in March regarding a number of options for business support programmes should the UK leave the EU without a negotiated deal at the end of the Article 50 process.

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

- 2.5 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**”<sup>1</sup> **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.
- 2.6 In addition to the above planned activity, due to the continued uncertainty regarding whether a deal will be agreed following the extension to Article 50 up to potentially 31 October 2019<sup>2</sup> 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.
- 2.7 The options at 2.10 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 likely to 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.

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

<sup>2</sup> There remains a possibility of a non-negotiated exit at the end May in the event the UK does not participate in European elections. However, a Day of Poll Order has been laid confirming a date of 23 May, with the UK’s obligation to take part only being removed should the Government confirm a deal and pass the necessary legislation by 22 May.

## 2.8 Design Principles

Principle	What this could mean
<b>Focussed</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Short term</b>	<ul style="list-style-type: none"> <li>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.</li> <li>That any longer term support clearly demonstrates short term safeguarding or exploitation of opportunities</li> </ul>
<b>Sustainable</b>	<ul style="list-style-type: none"> <li>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</li> <li>That extensive support requirements will need additional funding from government</li> </ul>
<b>Inclusive</b>	<ul style="list-style-type: none"> <li>Ensures investment and benefits are used fairly and consistently.</li> </ul>

## 2.9 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

## 2.10 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 seek to bridge the funding gap to continue the programme, include additional activity and funding.

#### Next steps

- 2.11 It is important that the action of the LEP aligns and complements both local authority and Government activity. Therefore the LEP is engaging 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 relevant to the Brexit Transition Grant, which would require revenue funding to support the voucher scheme.
- 2.12 Following the further extension of the Article 50 process to 31 October 2019, appropriate preparation work on these options will continue while national political efforts to secure consensus around a form of negotiated exit continue. The Combined Authority will monitor developments closely and continue to discuss developments with central Government contacts. In the meantime, all existing LEP business schemes and services remains in place to support

businesses through the current prolonged period of uncertainty and low economic growth.

- 2.13 However, a non-negotiated exit remains the legal default and should this continue to be a risk, implementation of these plans will need to be carried out at a pace to ensure delivery can begin in a timely manner as the UK exits from the EU at the end of October. 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 Inclusive Growth Implications**

- 3.1 There are no inclusive growth implications directly arising from this report.

### **4 Financial Implications**

- 4.1 Funding of £91,000 in both 2018/19 and 2019/20 is being provided by the Ministry of Housing, Communities and Local Government to assist in Combined Authority preparations. To date this has been used to offset internal resource costs in developing the business support proposals, sharing evidence from local businesses and developing the support material available on the website. Remaining monies will be used to develop and implement business support proposals as required.

- 4.2 However, if following a non-negotiated EU exit a further decision is taken 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.

### **5 Legal Implications**

- 5.1 There are no legal implications directly arising from this report. If following a non-negotiated EU exit a further decision is taken 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.

### **6 Staffing Implications**

- 6.1 There are no immediate staffing implications directly arising from this report.

### **7 External Consultees**

- 7.1 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.

## **8 Recommendations**

- 8.1 That the Combined Authority consider the content of the update, and in particular note the decision of the Local Enterprise Partnership (LEP) Board to endorse a number of options for business support programmes should the UK leave the EU without a negotiated deal.

## **9 Background Documents**

- 9.1 None.

## **10 Appendices**

- 10.1 None