
Report to: Business, Innovation and Growth Panel

Date: 28 May 2019

Subject: **Preparing for Brexit**

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1 Purpose of this report

- 1.1 To update the Panel on work to prepare and support the City Region's businesses ahead of the UK's withdrawal from the EU, including an update on developments regarding specific products and services should there be a non-negotiated exit from the EU following discussions held with Business, Innovation and Growth panel members in February 2019. A further verbal update on Brexit preparations will be provided at the Panel meeting.

2 Information

Background

- 2.1 At the last Panel meeting in February 2019, an update was provided on how the Local Enterprise Partnership (LEP) was supporting businesses, people and communities to prepare as the UK leaves the European Union. This work has continued to progress, with a number of programmes, including on investment readiness and business resilience, now in 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. As indicated in the paper for item 6, the economy continues to show signs of resilience and the UK economy recorded growth in quarter 1 of 2019. However there has been a marked impact on business confidence and investment decisions. The LEP will continue to monitor these dynamics, as well as seek further clarity from central government. Discussions are ongoing with departments to ensure that information and guidance for businesses is up to date and that future decisions on national support programmes and funding are coordinated alongside local offers.

Current activity

- 2.3 The Growth Service is providing intelligence into 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 in January 2019); consolidating a wider range of information and support assets to business in a single resource.
- 2.4 Two business support programmes, Investment Readiness and Business Resilience (an extension to the SME Growth Manager function of the Leeds City Region Growth Service), are also now in delivery. Further details of the progress of these programmes is included in the paper for Item 11. Although not exclusively designed as a direct Brexit response, both of these programmes can be adapted to support businesses in responding to changes in both their business and wider economic environment.

Next steps

- 2.6 In addition to this activity, due to the ongoing uncertainty on the process of the UK’s withdrawal from the EU, and the potential impact of a non-negotiated exit from the EU, it is right that the LEP continues to prepare what its response might be in the event of a non-negotiated exit. This includes how it could assist businesses in the short-term to overcome potential barriers and challenges, as well as maximise any opportunities.
- 2.7 Following the recent discussions with this Panel’s members, options for specific products and services were agreed in principle at the LEP Board meeting of 26 March 2019. Reflecting the clear views of the Panel members, this did not include any proposed assistance with cash flow management. This is because the Panel felt that, although cash flow pressures could be a consequence of Brexit, support with the issue would be best addressed via a nationally coordinated initiative e.g. in the form of a deferral of VAT payments. Engagement with HMRC on this issue has taken place, and it has been confirmed that preparations regarding the existing Time to Pay scheme and the Business Payment Support Service (BPSS) service, which can help businesses unable to pay in full on time, are underway, with external communications and guidance in preparation.
- 2.8 The options endorsed in principle by the LEP Board in March 2019, for which preparations continue and will be stepped up further if this outcome becomes likely, were:

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

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

- 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 six 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) has recently been awarded an extension to the ESIF Exporting for Growth Scheme until the end of 2019. This will support more of the City Region's SMEs to explore, enter or extend activity within export markets.

As reported in item 10, the LEP's trade and investment team are working hard more broadly with businesses and potential overseas markets to increase the

international trade flows from the city region. This work will continue to be an important part of the region's response to the opportunities of exiting the European Union.

- 2.9 To oversee the next steps of these products and to ensure organisational preparedness, an internal group consisting of officers from across the Combined Authority/LEP has been established. The group is responsible for identifying the best use of the circa £180,000 made available to the Combined Authority for Brexit planning and response activity, identifying risks and mitigating actions, and will work closely with key partners as required e.g. Local Authorities, Chambers of Commerce, other business membership / representative, universities and colleges. A wider flexible pool of staff is also being identified, who will be made available to respond to unexpected local economic and business issues caused by the continued uncertainty around Brexit as they arise.

3 Financial Implications

- 3.1 There are no direct financial implications directly arising from this report.

4 Legal Implications

- 4.1 There are no direct legal implications directly arising from this report.

5 External Consultees

- 5.1 No external consultations have been undertaken in direct production of this report. However, external consultation, particularly with government departments, as well as intelligence gathering from businesses, has taken place on matters related to Brexit. This includes Panel members, and will continue to over the coming months.

6 Recommendations

- 6.1 The Panel is asked to note, and provide any further comment on, the ongoing work to prepare for Brexit.

7 Background Documents

None.

8 Appendices

- 8.1 None