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**Report to:** Overview & Scrutiny Committee

**Date:** 13 September 2019

**Subject:** **Brexit preparations**

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## **1. Purpose of this report**

- 1.1 To provide an update to the Overview and Scrutiny Committee on the organisational preparation being undertaken by the West Yorkshire Combined Authority (the Combined Authority) and Leeds City Region Local Enterprise Partnership (LEP) as the UK prepares to leave the European Union, in particular the stepping up of activity ahead of 31 October.

## **2. Information**

- 2.1 In preparing for Brexit over the last 12 months or more, the Combined Authority has undertaken a significant number of activities:
- Gathering intelligence, providing updates to BEIS, DIT and MHCLG either directly or through local authority networks, as well as monitoring the local economic performance through a tailored Brexit monitor report
  - Produced web content for the LEP website to signpost businesses to various sources of information and support related to Brexit
  - Received LEP Board approval in principle to a number of potential business support products that could be enacted should there be a non-negotiated exit from the EU (Brexit Transition Grant Scheme, Capital Grants Programme, Advice Service, Exporting for Growth Scheme extension), which would require further funding
  - New skills (re:boot and employment hub) and business support (investor readiness and business resilience) programmes launched (total value £16.8million) with particular consideration given to responding to Brexit issues
  - Direct engagement with businesses on trade and investment issues, through in particular the investor development team and Exports for Growth programme, and individual workshops in cooperation with HMRC and others

- Requested to BEIS for flexibility (if required) to Growth deal funding to support Brexit interventions.
  - Engaging with Government to influence the design, structure and quantum of the Shared Prosperity Fund (UKSPF), and preparing to respond to the Green Paper consultation once published
  - Monitoring key schemes in the Combined Authority's programme delivery to identify any risks and mitigate as needed
  - Engaging with transport providers in the region to understand their planning and areas of concern regarding Brexit.
  - Exploring how procurement may operate in the future, outside of OJEU processes, and the requirements on state aid.
  - Communicating with staff who may be affected by the European Settlement Scheme and offering proactive support
- 2.2 Following the Brexit update provided to the Combined Authority in April, preparatory work of the Combined Authority and partners has continued to take place, albeit until recently against a backdrop of increased national political uncertainty following the resignation of the Prime Minister. With 31 October the next substantive deadline for UK-EU negotiations to be concluded, it is recognised across all stakeholders that a stepping up of activity is required, and at the moment this should continue to include necessary preparations for a non-negotiated exit.
- 2.3 This collective stepping up of activity includes close cooperation with the work of individual and collective West Yorkshire local authorities and at the Yorkshire and Humber level, including contributing to resilience forums, talking to transport providers and meeting as business support providers to align activity aimed at the city region's business base. The Combined Authority also continues to seek further clarity and details through ongoing discussions with central government departments across a range of issues, including potential business support funding and/or the flexibility to use Growth Deal funding.
- 2.4 As well as these collaborations, the Combined Authority continues to prepare all internal services for the potential opportunities and impacts of the UK leaving the European Union, utilising intelligence to determine the best response, and has established a working group to implement an action plan for immediate and medium term activity depending on the trajectory to 31 October. The group meets on a fortnightly basis, with the Combined Authority's Senior Leadership Team providing strategic oversight. The next two sections of this report detail the two central elements of this work, the Brexit impact assessment and the Brexit action plan.

#### Brexit impact assessment work

- 2.5 As part of stepping up preparations for Brexit, the Combined Authority has been undertaking assessment work of the impact of Brexit in the region. This is not intended to duplicate work that has taken place at the national level or individual local authority work, but to complement and add value by utilising sources such as the Leeds City Region business survey. There is strong evidence to say that the economy is already showing signs of the implications

of Brexit (as reported previously in regular economic updates to the Combined Authority and LEP Board), but in attempting to look forward it is accepted by most commentators that the impact will be significantly different depending on whether there is a negotiated deal and transition period or a non-negotiated exit. Therefore conclusions of the assessment work have looked as far as possible to consider both scenarios, drawing out a number of recommendations to guide further work:

Conclusion	Recommendation
That we are already experiencing the effects of Brexit on the economy, even while the final conclusion remains uncertain	To make sure that we are responding to those effects appropriately, through our ongoing inclusive growth, business support and trade and investment activity, exploring opportunities where they are presented.
We have a comprehensive intelligence picture of Brexit preparations across businesses and the economy more widely. There are some specific gaps in our knowledge and interactions in relation to large indigenous businesses and more widely on the impact on households	To explore options for how intelligence gaps can be addressed, and decide which to fill; noting that there is variation across the region in the approach of local authorities in engaging with large local employers.
That although there are significant opportunities and challenges for businesses in the Leeds City Region, there are no major implications that are not also true for businesses across the UK	Continue to direct businesses to national advice and support, and not duplicate that support locally; noting we have already launched an online resource to provide advice to businesses, which is based on national advice
That in the current economic climate (and depending on the outcome of Brexit) it is more challenging to achieve the further investment across the city region that is required to drive productivity	Strengthen our strategic narrative for the Spending Review, devolution and Local Industrial Strategy, in order to make a more compelling case for investment to Government. To influence the Shared Prosperity Fund to ensure the region can support programmes once European funding finishes. To redouble our efforts to increase inward investment in areas of the city region beyond Leeds.
That while short term sterling depreciation has supported exporters,	To continue to develop trade policy (including through the extended export

(depending on the outcome of Brexit) there are implications for the future of trade for city region businesses that will be particularly felt in supply chains	for growth programme) that supports businesses to succeed, and assist businesses to have the right systems and permissions for trading in the future
That while the labour market has proven to be resilient to date, there are challenges in particular sectors to the supply of skilled workers	To focus on the supply of skilled workers into good jobs, looking at training and re-training in particular as routes to meeting demand (as well as potential new migration policies)
That the LEP has already begun to put in place support that can assist businesses looking to succeed in the current environment, and is ready to implement further programmes as necessary in a no deal scenario	That preparatory work is done so that the organisation is ready to deliver further programmes as necessary in a no deal scenario

### Brexit action plan

- 2.6 Utilising the impact assessment as a guide, the Combined Authority is building on the preparation work already done by the various teams within the organisation to develop a single focussed action plan for the period up to 31 October (and potentially beyond depending on developments). This planning needs to remain flexible to adapt to either a negotiated Brexit deal or a non-negotiated exit; as the support, particularly that businesses require, will differ.
- 2.7 The action plan is also being used to prioritise spending of the £182,000 of funding that has been received from the Ministry of Housing, Communities and Local Government to assist in Combined Authority Brexit preparations, with an internal group recommending to the Combined Authority's senior leadership team how to utilise this funding, taking a conscious view that there may be further developments in the Brexit process which should be supported by this funding and that other programmes and assistance are needed at a national level.
- 2.8 The high level priorities of the action plan are:
- Ensuring that the organisation coordinates Brexit planning across directorates
  - To continue to liaise with our local authority partners and others on understanding risk and sharing plans
  - Supporting businesses to be resilient and to exploit new opportunities
  - Ensuring that delivery of projects and services is not adversely affected, including investment into key schemes
  - Preparing the organisation for changes effecting how we operate (in a no deal or transition arrangement) in terms of GDPR, procurement, HR etc.
  - Monitoring and modelling the potential impacts of Brexit and collecting qualitative evidence to influence policy and decisions

- Ensuring maximum benefit from remaining EU funding, influencing the ESIF national reserve funds and leading the region's input to the shaping of the UK Shared Prosperity Fund
- Providing appropriate communications as required in relation to Brexit matters

### Next steps

2.9 It is important that the action of the Combined Authority and LEP aligns and complements both local authority and Government activity, as well as pushes Government departments to put in place necessary interventions and funding at the national level. In accelerating the work of the Combined Authority's Brexit action plan we will be looking in particular to:

- Get clear understanding of the Brexit business support interventions and funding that will be provided by central Government in a no-deal scenario – in particular on cashflow (i.e. through HMRC's Time to Pay and Business Payment Support Service (BPSS)), expert trade, regulation and employment advice, business support hotline and any emergency assistance grants;
- Continue the dialogue with BEIS about what role it sees LEPs having in a no deal scenario in respect of business support, and what funding will be available (including clarity on the £108m announced by Government for promoting and supporting businesses "to ensure they are ready for Brexit")
- Make sure any local no deal Brexit support programmes (that complement national interventions) are ready to be operational as soon as they are required and, should additional funding not be provided directly by government, confirm with BEIS the flexibility to utilise Growth Deal funding;
- Build further intelligence on the impact of Brexit on the region's large indigenous employers and what a support programme might look like (subject to national interventions including "operation kingfisher" – which is reportedly looking to identify which businesses are most likely to need state support in the event of no deal);
- Work closely with local authority business support leads to align engagement and activity with businesses – which has begun with a meeting of business support leads on 7 August (next meeting 6 September);
- Identifying a small group of staff who could be mobilised quickly in the event that we need a surge of resource to support on the impact of Brexit on businesses and individuals, and determining some potential areas of work (including synthesising data)
- Scenario plan for communications depending on developments, ensuring to provide clear and consistent messages to businesses and the public, including where to go for support and assistance.
- Continue to support as required the work of the West Yorkshire Resilience Forum on Brexit matters in collaboration with local authorities, including joining weekly teleconferences and future exercises as required.

## **3. Financial Implications**

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

**4. Legal Implications**

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

**5. Staffing Implications**

5.1 There are no staffing implications directly arising from this report.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Overview and Scrutiny Committee considers the report and provides any comments for further activity.

**8. Background Documents**

None.

**9. Appendices**

None.