
Report to: LEP Board

Date: 25 February 2020

Subject: **Brexit**

Director(s): Alan Reiss, Director, Policy, Strategy and Communications
Brian Archer, Director of Economic Services

Author(s): Alex Clarke and Marc Adams

1. Purpose of this report

- 1.1 To provide an update to the Local Enterprise Partnership Board on the organisational preparation being undertaken by the West Yorkshire Combined Authority (Combined Authority) and Leeds City Region Local Enterprise Partnership (LEP) for the United Kingdom's exit from the European Union, and to frame a discussion on the approach to be taken during the transition period following Withdrawal Agreement ratification. Given that early negotiating positions are in the process of being formed, and the need for this work to react to these, a further verbal update may be provided at the meeting.

2. Information

- 2.1 The Combined Authority and LEP has continued to support the city region in preparing for Brexit over the period since the EU referendum. As the country enters the transition period until 31 December 2020, the LEP is poised to play a proactive role in providing support to the city region's businesses as they plan for the opportunities and challenges they may have as a result of a new business environment. This paper updates on key activities that ensure the preparedness of businesses for the transition period and beyond (in particular on business support and communications) and raises questions for discussion regarding the approach to key strategic debates that are currently underway regarding the future trading relationship in particular.

Approach to the transition

- 2.2 Much of the work of the Combined Authority and LEP to date in working with partners and supporting businesses on preparing for Brexit continues to be the right approach for the transition phase. However, it is important that plans for the period up to 31 December 2020 and the end of the transition acknowledge specific dynamics, developments and scenarios that are likely to unfold during the year, specifically:

- What arrangements are proposed for trade with the UK moving out of the single market and customs union
- What new customs processes and cross-border VAT arrangements will be proposed
- Whether a free trade agreement will be in place or Great Britain will trade on World Trade Organisation (WTO) terms with the EU
- The proposed new immigration system
- Whether there is a return to “Operation Yellowhammer” resilience preparations or similar partnerships
- What specific legal and regulatory changes will businesses need to prepare for and when
- Whether progress is made on emerging trade deals with other parts of the world.

2.3 In response to these dynamics of the transition phase, the Combined Authority and LEP will need to focus on what role it can play alongside other partners. Whilst the Gold and Silver Command arrangements will continue to meet regularly, the focus of activity will move to a more strategic approach to considering specific Brexit issues – including the impact of key policy changes such as on immigration, trade policy, regulatory changes, legal/contractual matters, future funding models (including Shared Prosperity Fund) and on data. The Combined Authority will also focus its Brexit activity on:

- Continuing to work in partnership – both with local authorities and with other key partners, such as Chambers and other business membership/representative organisations – sharing plans and coordinating activity
- Understanding the implications for business of the UK’s future trade relationships – including the opportunities and threats to certain sectors and markets. The Combined Authority is supporting work at a Yorkshire and Humber level on this matter, led by Tom Riordan (Chief Executive of Leeds City Council).
- Continuing to work with businesses to ensure preparedness and resilience, with a focus on regulation, legal issues and financial management
- Developing a communications plan for businesses, that focusses on what they need to do before the end of the transition phase
- Coordinating the Yorkshire and Humber Brexit cluster, including on business intelligence and potential opportunities.
- Keeping emergency response arrangements updated in the background to ensure preparedness if required

Business support

2.4 As over previous months, the LEP continues to collect and coordinate intelligence on business preparation activities, and provide updates to BEIS,

DIT and MHCLG from across Yorkshire and Humber. This is via the role of Cluster Lead for the Growth Hubs in the region, with the model being replicated across the country via another nine clusters. Frequency for this intelligence reporting has now moved to a fortnightly basis.

- 2.5 The Growth Hub continues to prepare to be as ready as possible for the impacts of Brexit on businesses, meeting regularly with business support leads in each local authority, with representatives of leading business membership bodies (via the Business Communications Group) and directly with businesses themselves via the LEP's business-facing teams and marketing activities to ensure alignment with other activity.
- 2.6 The team of SME Growth Managers has now risen to 19 FTEs who are supporting over 1,000 businesses to access the right support to meet their growth and resilience needs across the City Region. In addition, the Combined Authority has commissioned a legal firm to work intensively with a cohort of the City Region's large UK-owned businesses. This will provide valuable insight into the practical challenges and opportunities facing the businesses and help to inform future policy and activity regionally and nationally. Furthermore, the LEP's £2 million Brexit Business Support scheme has been developed and is ready to be implemented. However, this has been paused until further clarity on the new business-facing campaign from the Government, and any associated resources for the LEPs/Growth Hubs, has been received.

Communications

- 2.7 As the Government's 'Get ready for Brexit campaign' has been paused indefinitely, the Combined Authority, in collaboration with partners, has looked to revise its Brexit communication strategy to reflect what communications will be required during the transition phase. This strategy will need to be flexible to respond to changes as they develop. Current activity includes:
- The LEP co-ordinated a Brexit roundtable, held on January 20th, in partnership with business media outlet The Business Desk. It was attended by local business leaders and intermediaries. Topics and insights from that discussion will provide the basis for future communications content for businesses about how to prepare for changes ahead.
 - The LEP is currently running a digital and print advertising campaign to promote the Growth Service and the wide range of business support currently available. This campaign will be tailored as required to meet any specific opportunities during the transition period.
 - Work is underway to scope an integrated communications and marketing plan, aimed at SMEs in the Yorkshire and Humber, to provide peer-to-peer business advice and expert insights that will consider topical challenges and opportunities in a pragmatic way. Issues related to Brexit will be an important part of this work.

Trade priorities and opportunities

- 2.8 As mentioned in paragraphs 2.2 and 2.3, one of the primary aims of the Brexit transition phase will be to set out the UK's trade priorities, both in negotiations with the EU on a free trade agreement, but more broadly in the anticipation of further trade deals being concluded unilaterally by the UK outside the EU. The LEP will keep a close watching brief through the negotiations, so that specific opportunities can be identified and supported as issues are clarified, feeding in to these as appropriate. This is also directly relevant to our Trade and Inward Investment activity as a LEP, with further details on this in item 11 on the agenda. In the meantime, there is an opportunity to set out what the priorities for the UK's new trading environment are at the city region level and to progress areas of activity that can already be taken forward. This includes exploring and making representations as appropriate in the following areas:
- **Exports:** Understanding the regions export levels, its core export markets aligned with key sectors integrated with the UKs new global trading relationships.
 - **Skills and employment:** the impact on the regions current labour force, opportunities towards future skills development and training provision in the context of exporting, automation and productivity.
 - **Sectors:** an opportunity to showcase the city region's strengths and shape UK policy towards increasing investment and export potential. e.g. net zero carbon aspirations in energy.
 - **SME Support:** refocus SME support on business resilience and forward/scenario planning. An opportunity to use the changing economic context to promote and amplify the priorities in our developing Local Industrial Strategy around productivity, clean growth and investing in innovation and other positive business behaviours.
- 2.9 The Government have recently launched two consultations, one on an approach to Most Favoured Nation Tariff Policy and one on Freeports, which could provide opportunities to set out trade priorities for the Leeds City Region. These consultations provide opportunities for the Region to set out its views on those issues. Further to this the LEP will explore other opportunities to set out its priorities with regards to Trade policy.

3. Clean Growth Implications

- 3.1 The UK's exit from the European Union, and the future trading relationship established with the EU and other states could have significant implications for clean growth, in terms of regulations, emissions and existing cooperation. The opportunities for the Leeds City Region to consider in the transition period (outlined at 2.9) will be evaluated in terms of their implications for clean growth and will need to be aligned to the LEPs roadmap and action plan for the city region.

4. Financial Implications

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

5. Legal Implications

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

6. Staffing Implications

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

7. External Consultees

7.1 Information about engagement with partners is contained in the report

8. Recommendations

8.1 That the Board notes the update on LEP activity in relation to Brexit and provides a steer on the approach to the transition period, including on making representations regarding trade deals.

9. Background Documents

None.

10. Appendices

None