

Report of Chief Executive

Additional Agenda Item

Report to Executive Board

Date: 19 December 2018

Subject: Update on Leeds City Council's response to the UK's decision to leave the European Union

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. Since the outcome of the 2016 referendum on the UK's membership of the European Union the council has been undertaking a range of work, along with partners, aimed at preparing both itself and the city for the UK's exit. Much of this work has been led by elected members on a cross-party basis through the council's Informal Brexit Working Group.
2. In July 2016 Executive Board approved a five-point plan to prepare for Brexit. This included maintaining momentum on development, supporting business, ensuring the city remains united, promoting Leeds as an outward-looking city and securing devolution. Each of these priorities has been embraced in the intervening time with significant progress being realised across each of them, as outlined in this report.
3. More recently, the council's preparations for the possibility of 'no deal' have become a high priority, as have exploring the opportunities presented by Brexit with a view to ensuring the council and the city are able to maximise the benefits of the UK leaving the EU.
4. Continuing to monitor economic activity, maintain engagement with business and with communities on the ground will be increasingly important over the coming months. The report outlines a number of further commitments for the council which will ensure that the organisation and the city are as well-placed as possible to prosper in a post-Brexit landscape.

Recommendations

Executive board are requested to:

- Note the work ongoing to prepare the council and the city for the UK's exit from the European Union on 29 March 2019.
- Note the outline of medium term activity aimed at mitigating risks and maximising opportunities in the period immediately following the UK's exit from the EU.

1. Purpose of this report

- 1.1 This report provides Executive Board with an update on the steps that Leeds City Council, working closely with partners and other agencies, has taken since the EU Referendum in June 2016. It reflects on the implementation of the council's five-point plan approved by Executive Board in July 2016 and details the more recent ongoing preparedness to examine both the opportunities and the risks to the council as a result of Brexit.
- 1.2 Brexit is a fast-moving policy agenda and it is not possible for this report to cover every eventuality given the discussions and developments at a national level. However, the report does aim to provide a comprehensive overview of the council's approach in terms of its own service provision, day-to-day business and its wider leadership role in the city.

2. Background information

- 2.1 Following the result of the EU Referendum, the July 2016 Executive Board received a report outlining five main areas that the council and its partners would focus on during the period of uncertainty that was to come. The report (available [here](#)) recognised that Leeds has shown itself to be a resilient city over the last decade and continues to benefit from a strong economy. It committed to prioritise:
 - Maintaining momentum on major development and infrastructure schemes, and economic growth projects;
 - Supporting business and key institutions;
 - Creating a more tolerant and united city;
 - Securing devolution; and
 - Providing confident, outward-looking leadership and image of Leeds as an international city.
- 2.2 In identifying these five areas, it was recognised that the referendum result demonstrated that there are a significant number of people in the UK and in Leeds who have felt alienated by globalisation and do not feel the effects of the city's or country's success due to the increasingly unbalanced nature of the economy. Calls for greater control to be given to local people and places were also recognised, hence the commitment to continue to push for a devolution deal which would shift power away from Whitehall and closer to communities.
- 2.3 Leeds is an international city, a city that is attracting increasing levels of inward investment from outside the UK. It is important that the council continues to work with businesses to safeguard against any potential slowdown in investment and continue to look for opportunities to expand the city's reach to new parts of the world as well as to strengthen the international relationships that already exist. In a post-Brexit landscape this element of the work will become increasingly vital and is captured within several of the five priorities originally outlined.
- 2.4 It is clear that while work has progressed over the last two and a half years, there remain a number of issues yet to be resolved nationally. Prime among these is the issue of a replacement for EU funding which currently the city's universities rely heavily upon, and which funds important council and business-led projects in a number of areas. The government has outlined its intention to bring forward a consultation on the new UK Shared Prosperity Fund (UKSPF) before the end of the year with which the council and its partners will be keen to engage.

- 2.5 In addition to implementing work around the priorities noted above, the council has also been engaging nationally in preparation for the UK's exit from the EU. Leeds currently chairs the Core Cities Cabinet and Chief Executives Group, and through these roles has made a number of submissions and representations to relevant ministers in HM Treasury and the Department for Exiting the European Union in particular. Core Cities Cabinet have also been to Brussels and held positive meetings with both Michel Barnier, the EU's Chief Negotiator, and with Guy Verhofstadt, the European Parliament's representative on matters relating to Brexit.
- 2.6 Strategic engagement with partners in the city has been led by elected members on a cross-party basis through the Informal Brexit Working Group. A number of themed sessions have taken place engaging across the council, with public sector partners and with business. The most recent meeting took place on 10 December at which a number of the city's leading private sector businesses provided valuable updates about their own preparedness on issues such as EU trade and customs certifications, workforce planning and stockpiling. They also reflected on wider confidence in the economy which is affecting issues such as investment decisions and agreed a number of areas on which further collaboration, along with the council, would be useful.
- 2.7 Elected members and officers are also continuing to engage on Brexit-related matters at a regional level through a number of different forums.

3. Main issues

- 3.1 A wide range of work has been undertaken since the referendum result as part of the council and the city preparing for a new relationship with the EU. Much of this work would have been part of the council's normal business but often it has taken on additional meaning and enhanced importance in the context of Brexit.
- 3.2 The sections below provide an overview of activity against the five-point plan agreed by Executive Board in July 2016; outline the detailed preparedness work being undertaken by council officers; and provide some additional commentary and analysis of the current economic situation informed by national and local intelligence.
- 3.3 *Maintaining momentum on major development and infrastructure schemes, and economic growth projects***
- 3.3.1 Leeds has remained a highly attractive destination for investment and development in the period since the Brexit referendum, reflecting the city's commitment to a strong and consistent vision, scale of ambition, strong core offer and the diversity of investment opportunities across the city. This has been underpinned by an enabling approach from the council and public sector partners to maintain and grow relationships with anchor institutions, developers and funders. There is a strong and growing cross-sector collaborative spirit in the city and a recognition that there is huge social and economic value to be gained from working in this way.
- 3.3.2 Key areas for development such as the Leeds Enterprise Zone (EZ) and the city centre have seen significant progression over this period. In the EZ the council, combined authority and government have combined to unlock land that has led to the delivery of over 500,000 sq. ft. of employment development, with another 400,000 sq. ft. currently under construction. This has been supported by new park and ride facilities, and successful agreement that the EZ will be the home for the Eastern Leg HS2 Rolling Stock Depot. Similarly in the city centre plans for the South Bank development continue to progress with the potential in the longer term

to deliver 8,000 new homes and 35,000 new jobs. The council is also working closely with Leeds Teaching Hospitals Trust, University of Leeds and Leeds Beckett University to develop a collaborative market-facing approach on the Leeds Innovation District.

3.3.3 Momentum on major development has been maintained outside of these higher profile locations too, however:

- In **East Leeds**, the council has worked closely with the developer Scarborough Group International and its funder, Legal & General, to facilitate delivery of significant new road infrastructure and a new mixed use expansion to the existing office park, which forms part of the enabling work for the forthcoming East Leeds Orbital Road.
- In **West Leeds**, the council and combined authority have collaborated with developer CEG and unlocked financing to enable the delivery of the first new rail station in the city for decades and remediation of the Kirkstall Forge site to support the delivery of an award-winning new office development, and to create the platform for delivery of 1,000 new homes.
- In **South Leeds**, discussions are progressing with landowners regarding ambitions for the development of the White Rose Office Park and Millshaw Industrial Estate again set against the delivery of a new rail station and the potential to meet housing, employment and community infrastructure needs in this part of the city.
- In **North Leeds**, the council has brought forward plans to create an economic hub to complement the airport's growth ambitions and is developing options for a new link road and parkway station on the Leeds-Harrogate rail line. The council also supported the redevelopment of spectator facilities at Headingley Stadium, establishing an innovative commercial property relationship to enable redevelopment of the shared cricket and rugby stand to secure the future of high profile sporting events in the city.

3.3.4 In addition to the progression of development, the council and partners have been successful in attracting investment to the city. One of the key successes on this front is the government's unprecedented move in supporting the Leeds Public Transport Investment Programme through the allocation of £174m of funding to transform the city's bus network, create high quality gateways, hubs and arrival points in the city centre, and the delivery of new rail stations. This investment has leveraged additional private investment from bus operators in upgraded fleets. Longer term the prospects of EU funding to the city /city region being fully replaced at a national level remain uncertain, with little firm information being issued by government regarding the new UK Shared Prosperity Fund (UKSPF).

3.3.5 To continue supporting strong economic growth and development in the city, the council will work with the combined authority and other partners to:

- Continue to strengthen relationships with developers and funders of major schemes, using a key account management approach;
- Work towards realising the city's ambitious development aims, including on HS2, the South Bank, Housing, the Innovation District and the Enterprise Zone; and
- Seek to influence government on development of the UKSPF to ensure that the city / city region secures at least an equivalent amount of funding as it currently received from the EU.

3.4 Supporting business and key institutions

- 3.4.1 The council's economic development team is continuing to review national and city region level analysis to assess the potential impact of Brexit and the outlook for the economy in Leeds. The uncertainty that surrounds the impact of different Brexit scenarios makes this a difficult task. Work of national organisations, think tanks and consultancies all point to the greatest impact on businesses being in those with a reliance on the just in time deep supply chains; a reliance on EU labour markets; or a strong focus on EU exports. Local intelligence provided to the council by the Federation of Small Businesses (FSB) indicates a recent shift in the mind-set of business which has to date been largely impatient with the Brexit process and seeking certainty above all else, whatever deal (or no deal) is agreed. The FSB now indicate that their members are generally growing increasingly concerned about the potential consequences of the UK's exit when considering the range of exit terms which are currently most prominent in public discourse.
- 3.4.2 Business support programmes delivered by the council and partners continue to deliver against agreed priorities and the council is supporting the development of an investor readiness service (funded through the Business Rates Pool and ESIF) at a city region level. If this is operational post-March 2019 then there may be scope to provide a financial health check for businesses (a similar service was provided by Yorkshire Forward for businesses affected by the 2008 credit crunch). There are also plans in place to strengthen business engagement through the city region wide Business Growth Service, although this is dependent on a successful ESIF bid.
- 3.4.3 Business engagement undertaken through the council's Key Account Management (KAM) service has highlighted the impact of Brexit uncertainty in a number of ways:
- The lack of certainty continues to subdue investment; loss of EU labour is making it difficult to fulfil customer expectations; potential tariffs and greater bureaucracy at borders would reduce competitiveness. Key companies affected by these trends tend to operate in the Food sectors.
 - Weak exchange rate, low interest rates coupled with rising inflation and reduced customer spending. KAM companies are responding to this by tackling their spending, freezing investment and, in some cases, undertaking global efficiency programmes which seek to reduce headcount and property assets.
 - 24% of all KAM businesses have reported insufficient labour supply as an issue. Skills shortages exist for data analysts, software developers and manufacturing engineers/operatives. Consequently KAM companies are locating these jobs outside Leeds where supply is more readily available.
- 3.4.4 The impact of Brexit will require more engagement with business, not less. It is imperative therefore that the council is able to effectively capture intelligence and has the capacity to respond to forthcoming economic risks and opportunities. While the council will continue to respond to queries regarding Brexit and signpost to appropriate advice through business support programmes and key account management, a review of KAM is underway to better incorporate it into delivery of the Leeds Inclusive Growth Strategy – as outlined in another report on today's Executive Board agenda.
- 3.4.5 Other interventions aimed at significantly improving the council's effectiveness to deliver the KAM service are also being explored. This may include additional recruitment into the service and the development of a single CRM system for implementation across the City Development Directorate to improve staff

productivity, business customer experience and enhance the intelligence held on the local economy.

3.4.6 Employment in Leeds remains strong with a rate of 80% and a claimant count of 47,510 for out-of-work benefits. While this is encouraging there is nevertheless an established process in place to respond to redundancies, as committed to in the July 2016 Executive Board report. DWP lead on a rapid response service to redundancies through Jobcentre Plus. They will normally approach the company in question following the filing of the statutory notice of staff at risk of redundancy and offer services including help with CVs and finding jobs; providing general information about benefits; helping people to find the right training and learn new skills; and helping with costs like travel to work expenses. To supplement this the council also offers additional support and help if required, including tailored on-site support and access to a wide range of employment support service and skills training delivered by the council and its partners.

3.4.7 To continue to support businesses and key institutions, the council will:

- Continue to monitor a range of economic indicators and join up intelligence on the economy, business, skills and training;
- Assess opportunities to access additional funding for business support in the city;
- Examine where existing funding can be flexed and tailored to meet specific needs; and
- Should risks increase, put in place a local agreement with Jobcentre Plus.

3.5 *Creating a more tolerant and united city*

3.5.1 Leeds is the 50/50 city. In the referendum vote the city's electorate voted in almost equal numbers for remain and leave – making it particularly important that the council engages with all communities, working with both leave and remain voters to maintain a tolerant and united city. The city is not immune to the divisions caused by the referendum campaign and result. Across the UK hate crime rose by around 25% following the referendum, and continued at an increased level for some time afterwards. It is in this context that the Council has continued to work hard to create an inclusive and united city, which acts as a city of sanctuary and welcomes people to live, work and visit here from all over Europe and around the world.

3.5.2 In response to Brexit the Council has endeavoured to support affected EU citizens by providing advice wherever possible. Following a proactive approach from the council, the Home Office agreed to partner with Leeds on two EU-related events – Leeds is the first local authority that they have partnered with. The first event, a civic leaders engagement session on 15 October, was attended by people from a range of sectors and communities as well as officers from across directorates, all of whom support EU citizens as part of their role. The second event was a drop in session on 7 November which was aimed at EU citizens in Leeds directly. As part of this Home Office staff were providing face to face advice and support on the new EU Citizens Settlement Scheme.

3.5.3 Leeds has developed an experience based, well-honed approach to community reassurance. This approach involves the Council's partners including, West Yorkshire Police, Safer Leeds, and the Third Sector, and importantly utilises the council's capacity through emergency planning, community committees, elected members, and officers in the local communities team to best effect - often reacting to events that take place locally and nationally. As part of the continuing Stronger Communities Programme, the Chief Officer Communities has initiated work to

develop a ground-up community intelligence driven strategy to tackle emerging issues in a more preventative way so that we can intervene earlier. Beginning with the development of an intelligence product (in collaboration with the community safety team) that can drive the Council's approach locally and harness wider council services' and community capacity to identifying at an early stage, intervening and then mediating and resolving tensions and conflicts between individuals and communities. One good example of the work undertaken in the stronger communities programme is the recent collaboration of Leeds City Council with Leeds United, the Home Office and M S Saatchi on the Together We Are Stronger campaign (available [here](#)) promoting the civic leadership contributions of young people from a range of diverse communities demonstrating compassionate action.

- 3.5.4 Tackling hate crime and overcoming community tensions remain an important part of building inclusivity in Leeds and working with people and communities to unite rather than divide. This agenda is embedded in the Stronger Communities programme and also in the refreshed Safer Leeds Community Safety Strategy 2018-2021. The partnership has committed to undertake targeted campaigns with identified communities of interest, building on initiatives such as Hate Crime Awareness Week. It also recognises the importance of increasing and strengthening hate crime reporting centres in a range of community based settings, making them more accessible to citizens and encouraging reporting. These measures, along with the array of others being pursued by Safer Leeds have resulted in 85% of people in the city feeling safe in their neighbourhoods¹. While more can be achieved in this area, the city has an encouraging baseline position from which to work should we see any future spike in hate crime related to Brexit.
- 3.5.5 It is important to be aware that spikes in hate crime and other related issues are felt widely across the city's communities irrespective of what their source cause appears to be. The LGBT+ community within the city, for example, is home to people who have come to the UK as refugees and asylum seekers who have been persecuted elsewhere because of their sexual orientation or gender identity. A significant amount of targeted work has been undertaken over the last few years with the LGBT+ community and others to begin to provide a greater level of support and to address some of the key challenges they face.
- 3.5.6 Intensive and targeted work within some of the city's most deprived communities forms a significant pillar of the council's work to improve community relations. The Locality Working Executive Board report from November 2017 describes this work in some detail, and the Environment, Housing and Communities Scrutiny Board received an update in November 2018. Activity that has taken place in the Cliftons and the Nowells in Burmantofts and Richmond Hill ward is illustrative of wider work that has been ongoing since the referendum. Those communities have seen a significant amount of hate crime and anti-social behaviour which reached its peak level in the late spring of 2017. A core priority neighbourhood team stepped in and, working with volunteers from the Migration Access Project (MAP), supported local practitioners and agencies to reach out to local residents, overcoming the language barrier in many cases as part of this. This helped to build community confidence and developed further evidence about the perpetrators and victims of hate crime in the area.
- 3.5.7 More broadly the council continues to undertake a wide range of work aimed at uniting communities. Much of this focuses on practical activities which bring people together such as The Great Get Together in 2017 and 2018, which was positively

¹ Community Safety Strategy 2018-2021, Safer Leeds

embraced in all parts of the city, building bridges between people and communities. The compassionate city awards have been a positive further example of how local community leadership can have a strong uniting influence. In part as a result of initiatives such as this, and others led by the third sector and by communities themselves, attempts to divide the city, including arson attacks on faith communities and provocations by far right organisations have not taken root in Leeds. On the contrary we see ever more examples of practical compassion such as the Leeds united trust initiative to collect food for needy families who rely on food banks, and the city centre giving scheme. To support this ongoing activity Leeds has attracted additional national funding – over £1million of MHCLG funding – aimed at bringing new and settled communities together through local community integration projects.

3.5.8 Overall, Leeds remains a friendly, open and welcoming place to live, work, study and visit. To ensure this remains the case the council will:

- Continue to support EU citizens in Leeds with advice and support around the EU Citizens Settlement Scheme;
- Work with partners through Safer Leeds to tackle any kind of abuse or hate crime in communities;
- Develop and implement an effective approach to community reassurance, cohesion and integration.

3.6 Securing devolution

3.6.1 While negotiations between the government and the EU has been of particular focus in Whitehall, progress has been made regarding the “One Yorkshire” devolution proposal. This includes a submission made (on 5 March 2018) which seeks to secure an ambitious deal for the widest possible Yorkshire geography, drawing down from Whitehall a broad range of devolved powers and funding.

3.6.2 The One Yorkshire submission highlights that ‘Yorkshire’s future lies in a new post-Brexit era of global economic opportunity with an ambition that businesses grow and become more productive, leading to a better quality of life’. Proposals include control of a £125m per annum investment fund - an allocation of up to £3.75 billion over 30 years - to be invested in driving growth across the rural, urban and coastal areas of the region.

3.6.3 On 10th October 2018, Leaders and representatives of the 18 local authorities and the Sheffield city region Mayor, Dan Jarvis, sent the latest submission to the Secretary of State for Housing, Communities and Local Government. Included with this were the findings of an independent study on the economic rationale for devolving to Yorkshire and further developments in relation to the governance proposals – based on a single One Yorkshire Combined Authority which would be overseen by a directly elected Mayor from May 2020.

3.6.4 The independent economic study highlighted that a powerful One Yorkshire devolution deal would deliver demonstrable economic and social benefits to the region’s communities and the country. Further key messages from the study include:

- One Yorkshire devolution seeks to identify and unlock the shared economic opportunities in the region, building on the distinctive strengths in key economic sectors, and the competitive location at the geographic centre of the country with national and international connectivity by rail, road, air and sea.

- One Yorkshire devolution has strong local support from residents, businesses, 18 local councils and the Sheffield city region Mayor.
- 75% of people in the region identify with Yorkshire, supported by business, who overwhelmingly see the Yorkshire brand as an important benefit especially when trading internationally.

3.6.5 As stated above, the referendum result tapped in to the sense of growing disillusionment across the country, where people and communities feel they have not benefitted from the economic growth. Moreover, arguments of disenfranchisement also came to the fore during the referendum campaign and continue to be highlighted. Devolution in part has been presented as answer to this.

3.6.6 This position remains consistent with the council's approach which has embraced the concept of 'double devolution', promoting decision-making power to be held as close to the communities and people as possible. The council's Community Committee model represents a key example of this approach, providing a forum for local people to have their say about what happens in their community with local elected members also part of the decision making process.

3.6.7 Devolution remains an issue of significant importance to the city region; both in terms of using the powers and flexibilities already devolved, and in making progress towards further devolution. The council will continue to offer its full support to efforts to secure greater devolution as well as to reconnect people to politics by:

- Continuing to further press for a devolution deal;
- Further assessing how specific identified powers can be transferred from Whitehall to local areas, within a post-Brexit context;
- Seeking to broaden engagement with all our people on the big debates about the future of our city

3.7 *Providing confident, outward-looking leadership and image of Leeds as an international city*

3.7.1 Following Brexit there will be a significant opportunity to re-position Leeds as not just a European city, but a global one. Promoting what the city has to offer on the global stage and ensuring there is a clear plan in place to secure international investment and promote trade and exports will be of paramount importance. Positive progress has been made on this agenda over the last two years. For example, the city's relationships with international partners in China, Hong Kong and the United States has strengthened significantly through 2018.

3.7.2 In September 2018 the Leader of Council led a city region delegation to China and Hong Kong aimed at showcasing the strengths of the city region. The delegation held 26 events in Hangzhou, Qingdao and Hong Kong – three cities where there is an opportunity to build upon strong existing relationships, with businesses headquartered there already making major investments in the city region. The visit is expected to bring benefits including an increase in bilateral trade and inward investment opportunities.

3.7.3 The China delegation followed a successful Leeds City Council-led mission to Boston, USA in July, promoting the city's key sectoral strengths in health tech, big data and fintech. Leeds has welcomed inbound delegations from Boston and Rhode Island over recent years. This mission was part of plans to continue to strengthen the city's relationship with this region to develop mutual trade, investment, academic, sport and visitor economy opportunities.

- 3.7.4 The Boston mission was complementary to Leeds's ongoing participation in the Regional Entrepreneurship Acceleration Programme at Massachusetts Institute of Technology (MIT REAP), which was also announced in July. MIT REAP provides opportunities for communities around the world to engage with MIT in an evidence-based practical approach to strengthen innovation-driven entrepreneurial ecosystems. Leeds is participating in the programme along with eight other global cities, including Sydney, Oslo and Guangzhou.
- 3.7.5 Aside from trade, investment and innovation activity, the council has continued to provide outward-looking leadership of the city in a number of ways to build its profile at an international level. While the decision to leave the EU meant the Leeds bid for European Capital of Culture was no longer viable, the proposal has been reshaped into an international celebration of culture beginning in 2023. The city has also continued to attract major international events such as the Cycling World Championships and World Triathlon Series, and the city's tourism industry is booming as indicated by Lonely Planet placing Leeds fifth on its 'Best in Europe' list last year.
- 3.7.6 The council continues to support and grow its European partner city links, with two strong examples being the partnerships with Lille (France) and Dortmund (Germany) which are celebrating their 50th anniversaries in 2018 and 2019 respectively. Both of these partnerships involve a strong community element and involve the participation of children and young people in projects and exchanges. The economic aspect of both partnerships is being strengthened, with plans for joint events on the topic of economic development and regeneration with both Dortmund and Lille at MIPIM 2019.
- 3.7.7 The council also continues to strengthen its international relations and is building its profile with over 150 European cities through active participation in the EUROCITIES network. This involves the exchange of best practice shaping many aspects of urban policy, ranging from economic development and culture to Roma inclusion and urban ageing. Leeds recently won the EUROCITIES award for participation for its partnership approach to transforming the city through culture as part of the Leeds 2023 project.
- 3.7.8 These activities will contribute to the city's resilience to the possible challenges created by Brexit, but also ensure the city continues to be well placed to maximise the opportunities of Brexit. The council will continue to promote Leeds as an international, modern, outward-looking city by:
- Continuing to be open to global investment and trade, and to use its convening and leadership role to actively pursue opportunities;
 - Supporting the hotel, hospitality and tourism sectors to ensure Leeds continues to enjoy a growing reputation in Europe and around the world as a visitor destination;
 - Promoting the city's reputation as a world leading host for top class international events;
 - Raising the city's profile and building influence through involvement in international and European networks such as EUROCITIES, continuing involvement in international projects, sharing best practice with other cities throughout the world, and maintaining European and international partner city links.

3.8 Leeds City Council's ongoing Brexit preparedness activity

- 3.8.1 In recent weeks and months the council's own specific Brexit preparedness work has become a priority. Mirroring the approach being taken at a national level, the immediate focus for the council has been on preparing for the event of a 'no deal' Brexit – the UK leaving the EU in March 2019 without a Withdrawal Agreement. An emergency planning-type response has been undertaken in the same way as it would be to guard against the possibility of any other sort of potential major disruption to the council and/or city.
- 3.8.2 Work on preparedness in Leeds started from a relatively good base given the existing five-point plan in place, and the engagement work of the Informal Brexit Working Group since the referendum result, as mentioned earlier in this report. There have also been relevant considerations made regularly since the referendum with, for example, a report to the Corporate Governance and Audit Committee in September 2016 providing an early assessment of the risks and opportunities associated with the referendum result. Recent activity has been guided and overseen primarily by a senior officer working group established to examine both the government's 'no deal technical notices' and the existing plans the council itself already has in place in order to identify issues, gaps and any further work required.
- 3.8.3 To date there are a number of consistent themes emerging from the working group's investigations which council services have identified as potentially requiring interventions to strengthen resilience and mitigate risks related to Brexit. Each of these is subject to ongoing consideration in line with normal risk management and business continuity processes. Themes emerging include:
- **Short term supply, pricing and procurement issues** – an awareness of the possibility for disruption at ports and airports which could affect imported goods and materials, along with the possibility of contracted suppliers encountering financial difficulties with a knock-on impact to council services.
 - **People related challenges including settlement, workforce and community cohesion** – recognising amongst other issues the post-referendum spike in hate crime noted earlier and the support required for council staff and Leeds citizens around the EU Citizens Settlement Scheme.
 - **Medium term impacts and opportunities** – in particular around the Leeds economy and support for business, replacement for EU funding (UKSPF), and skills needs in the labour market.
- 3.8.4 Linked to the first of these themes there been some detailed work done around procurement to understand what, if any, impact Brexit is likely to have in this area. It is understood that even if the UK does not reach a trade agreement with the EU, or any agreement does not require the UK to align itself with EU procurement rules, the UK government has indicated an intention to join the Agreement on Government Procurement (GPA). The GPA is an agreement within the framework of the World Trade Organisation (WTO), so any procurement legislation would need to remain compliant with the GPA. The EU procurement rules themselves are based upon the GPA and as a way forward the UK government has identified a number of minor amendments to procurement rules which will be required in the case of 'no deal'.
- 3.8.5 Related to the second theme, the council has agreed to pay the cost of an EU Settlement Scheme application for individual employees. This course of action has also been taken by a number of other large organisations, including local authorities, across the councils and is in line with the Leeds's values as a caring and compassionate city and organisation. The decision also recognises the

significant contribution that employees who are EU nationals make to the council and the wider city.

3.8.6 While the immediate focus, as noted, has been on an emergency planning and resilience focused approach, the officer working group has also begun to consider the wider positive opportunities for the council and the city as a result of Brexit, recognising Leeds's positioning as a 'global city'. This work is still at an early stage and further engagement in the city, involving elected members, is planned but some of the early areas for exploration include:

- **Trade, investment and the economy** – expanding trade with the rest of the work and continuing to position Leeds as 'open for business'.
- **Skills and labour market** – approach to skills training for UK workers to ensure the city has the workforce it requires.
- **Devolution and repatriated powers** – identifying areas where there are opportunities to improve the legal and regulatory environment outside of EU membership.

3.9 *Impact of Brexit on the Leeds economy*

3.9.1 Due to the lack of clarity around the future relationship between the UK and the EU in the coming years, detailed economic analysis at a local level has been very difficult to undertake. However more recently there has been an increased level of information published at a national level, as negotiations near their conclusions and a number of firm proposals have been outlined.

3.9.2 In November both HM Treasury (HMT) and the Bank of England (BoE) published reports outlining some potential impacts on the economy – with HMT focusing on the long term and BoE looking more closely at financial stability in the short term. It is important to note that both HMT and BoE stress that these are not forecasts for the UK economy as they consider only the Brexit-related impacts somewhat in isolation of wider economic activity.

3.9.3 HMT analysis² shows the relative impacts of different trading relationships, commenting that the UK economy is still expected to grow in all scenarios. Therefore, this analysis is presenting the potential gap between growth realised under each scenario, and the growth that would have been secured under the UK's current economic relationship with the EU. In that context, HMT proposes that the impact on GDP would be -7.6% in the case of 'no deal' and -1.4% in the case of an EEA-type relationship. No analysis is provided for the proposed deal which has been agreed by the EU and the UK Government.

3.9.4 HMT analysis also includes some regional level modelling. This concludes that long run GVA in Yorkshire and the Humber could be up to 8.2% lower in a 'no deal' scenario and up to 3.2% lower were the position set out in July 2018's government White Paper pursued. Again, there is no regional analysis looking at the deal agreed with the EU.

3.9.5 The BoE analysis³ reports that in a 'no deal' scenario, by the end of 2023 GDP could be between 7.75% and 10.5% lower than the trend at May 2016. On unemployment, it suggests this could be 2.75% to 7.5% higher over the same time period.

3.9.6 The most recent economic reporting (November 2018) from the Leeds city region Local Enterprise Partnership (LEP) Board provides a more detailed understanding

² EU Exit Long-term economic analysis, HM Government, November 2018

³ EU withdrawal scenarios and monetary and financial stability, Bank of England, November 2018

of the current picture on the health of the city region economy⁴. Overall, the economy remains relatively strong and, building upon the BoE and HMT projections that whatever the outcome the national economy will continue to grow, should provide more confidence locally.

- 3.9.7 In particular, key headlines on the city region's exports and employment performance provide a positive outlook. The value of goods exports from Yorkshire & Humber increased at a faster rate than any other English region between Q1 2018 and Q2 2018. The region's goods exports increased by 3.4% in Q2, compared to a 2.2% fall nationally, according to HMRC data.
- 3.9.8 Additionally, new Office for National Statistics (ONS) analysis suggests Yorkshire & Humber exported services worth £7.78bn in 2016, an increase of 8.1% on 2015.
- 3.9.9 Leeds City Region has also seen an upturn in labour market conditions with employment increasing by 4,000 (0.3%) between Q1 and Q2 2018, taking the employment rate to a new record high of 73.7%. Employment increased faster than in the UK as a whole.
- 3.9.10 Whilst the November economic reporting provides a relatively strong economic picture, national surveys suggest that there is increasing recognition among businesses of the risks posed by Brexit uncertainty, with more businesses starting to enact their contingency plans for the event of a 'no deal' scenario. A CBI survey⁵ suggested two in five businesses had already begun to implement contingency plans, with increasing numbers of companies planning to follow suit if no certainty emerges before the end of 2018. Similarly, the Chambers of Commerce have reported lower levels of investment in their national survey for Q3.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Extensive informal consultation and engagement has been undertaken since the referendum result to understand the emerging impacts of Brexit on people and businesses in Leeds as well as on the council itself. This has been as a part of normal business within directorates, but also led more specifically by the Informal Brexit Working Group. This activity will continue over the coming months as the situation locally and nationally continues to develop.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The council aims to improve the lives of all its citizens and foster good relations between diverse people and groups both within and across communities. This report specifically reaffirms the continuing commitment to create a more tolerant and united city and outlines the supporting work of the authority and partners.

4.3 Council policies and best council plan

- 4.3.1 The 'Best City' vision set out in the Best Council Plan is for Leeds to be a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth, thereby tackling poverty and inequalities. The five-point

⁴ Preparing for Brexit, Leeds City Region Local Enterprise Partnership Board, November 2018

⁵ Brexit preparedness survey, CBI, October 2018

plan agreed by Executive Board in July 2016, with its focus on both the economy and on a tolerant and united city, supports this vision. The council's own ongoing Brexit preparedness activity also contributes to our 'Best Council' ambition to be an efficient and enterprising organisation.

4.4 Resources and value for money

4.4.1 There are no direct resource implications relating to this report as things stand. A number of the areas of activity outlined within it will require resources but these activities are either part of normal day-to-day business or will be subject to further specific decision-making reports in the future.

4.5 Legal implications, access to information, and call-in

4.5.1 There are no specific legal implications or access to information issues with this report.

4.5.2 The report is coming to Executive Board as a late paper due to the uncertain and fast-developing nature of this issue at a national level, which impacts upon how preparations are made locally. The report details how the council's own preparations are primarily focused on the possibility of a 'no deal' scenario. As such the context could have changed considerably had a parliamentary vote on the Withdrawal Deal been held on Tuesday 11 December as originally indicated. Given this vote did not go ahead, the report is now being brought forward in its current form.

4.5.3 The UK's exit date from the EU is 29 March 2019. Given this, and given how quickly the situation is developing, it is not felt that this report can be held back until the next Executive Board meeting due to take place in January 2019.

4.6 Risk management

4.6.1 In September 2016, the council's Corporate Governance and Audit Committee considered a report providing assurance on the authority's arrangements in place to identify and manage the potential risks and opportunities associated with the EU referendum result. That report focused on the particular risk areas of economic uncertainty, community cohesion and hate crime, the council's financial position and legal/regulatory changes. This report to Executive Board provides a more detailed and up to date account of the activity underway to monitor and mitigate these risks and to exploit the potential opportunities arising. The Initial Budget Proposals report on today's agenda provides further detail on associated financial and economic risks.

4.6.2 In line with the council's Risk Management Policy, these risks have been, and will continue to be, managed as part of the council's existing risk management processes. This includes providing an annual report to Executive Board each summer on the corporate risk register and most significant corporate risks and an annual assurance report to the Corporate Governance and Audit Committee on the overarching risk management arrangements.

5. Conclusions

- 5.1 This report presents a comprehensive update and overview of the implementation of the council's five-point Brexit plan approved by Executive Board in July 2016. It outlines a range of work delivered by the council and partners which is both specific to Brexit, but in the main is part of day-to-day business but has taken on added importance in a Brexit context.
- 5.2 The paper also provides an update on work ongoing through a senior officer working group to prepare the council for the possibility of 'no deal' but also to explore the medium term opportunities which Brexit presents.
- 5.3 A number of areas of further work are highlighted and will be pursued over the coming weeks and months.

6. Recommendations

- 6.1 Executive Board are requested to:
 - Note the work ongoing to prepare the council and the city for the UK's exit from the European Union on 29 March 2019.
 - Note the outline of medium term activity aimed at mitigating risks and maximising opportunities in the period immediately following the UK's exit from the EU.

7. Background documents⁶

- 7.1 None.

⁶ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.