

## Report of the Chief Executive

### Report to Executive Board

Date: 10<sup>th</sup> February 2021

Subject: Update on Leeds City Council's actions following the exit of the United Kingdom from the European Union

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open 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

### 1. Main issues

- Since the last report to Executive Board on 16<sup>th</sup> December 2020 the UK Government and the EU have ended negotiations and signed a trade agreement. This report gives an Executive Board an update on the national position, an overview of the Trade and Cooperation Agreement and the council's next steps following its signing included the continuation of the cross-party Member's Working Group and the updating of our response plan to reflect the impact of the UK leaving the EU.

### 2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The response plan is set within the context of the council and the city's ambitions for a strong economy and compassionate approach. The council's governance framework, key partnership meetings, and established arrangements for risk management and emergency planning are being used for this work.

### 3. Resource Implications

- Leeds City Council was awarded £315k from central government for Brexit preparations, in line with other unitary authorities for 2018/19 and 2019/20. Funding has been allocated to support specific Brexit related work and to cover staffing resource to co-ordinate Brexit preparedness activity. There has been no further

allocation of funding for 2020/21 and all previous funds have been used on previous preparations.

## **Recommendations**

Executive Board is requested to:

- 1) Note the developments since the previous Executive Board report, overview of the Trade and Cooperation Agreement, its potential impacts and council's next steps following its signing to capitalise on any opportunities moving forward.
- 2) Following the White Paper resolution by Council, to agree the drafting of a letter calling on the Government to ensure EU funding repatriated to the UK is devolved to local Councils and Mayoral Combined Authorities as soon as possible.

## **Purpose of this report**

- 1.1 Following the White Paper resolution from Full Council on 13<sup>th</sup> January 2021, this report provides Executive Board with an overview of the Trade and Cooperation Agreement, an initial view of its potential impacts and the approach of the council moving forward. It also provides an update on other areas affected by EU Exit including the repatriation of EU funding and the EU Settlement Scheme.

## **2. Background information**

- 2.1 Since the EU referendum result, the council has been working to prepare for EU Exit in line with a five-point-plan approved by Executive Board, as follows:
  - 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.

This work has been delivered through multiple strands of work across the council.

- 2.2 Executive Board approved the city's strategic response plan for Brexit in March 2019 (available [here](#)), which set out a series of practical actions to be taken both in advance of and following EU exit against the backdrop of the ambition to have a strong economy and a compassionate city. This framework has enabled a response to a range of EU exit scenarios including "no deal", which has been informed by the national planning assumptions and guidance where available. The response plan is being updated to reflect the terms on which the UK has left the EU and the potential impacts on the city.
- 2.3 The response plan is structured around five key themes, considering key issues for the city and the council. The key themes are: infrastructure and supplies; business and impact; citizens and communities; media and communications; and organisational impact. The response plan is consistent with planning at a West Yorkshire level through the Local Resilience Forum (LRF) and national plans led by government and has been updated to reflect information from the Government's reasonable worst case planning assumptions.

- 2.4 During 2019 and 2020, Executive Board received a series of reports about the strategic response plan covering the practical actions to be taken, both in advance of and following EU exit against the backdrop of the ambition to have a strong economy and a compassionate city.

### **3. Main issues**

- 3.1 As of 11.00pm on 31 January 2020, the UK formally left the European Union, with no further representation in the EU Parliament, EU Commission or Council of Ministers. From then, the UK entered into the transition period that ended on 31 December 2020.
- 3.2 On 24 December, the UK Government and European Union announced that the formal trade negotiations had concluded and an agreement reached; the Trade and Cooperation Agreement was signed by the Presidents of the European Council and European Commission and the UK Prime Minister.
- 3.3 The agreement has been ratified by the UK Houses of Parliament and received Royal Assent on 31 December; the European Commission has applied the agreement provisionally pending ratification by the European Parliament and European Council. Ratification must occur by 28 February 2021.
- 3.4 On 27<sup>th</sup> December the Government wrote to Local Authorities to provide a summary of key milestones and changes, including advice on further increased regulatory duties over the coming months and advice for Local Authorities to continue to prepare for the eventuality of a “no adequacy” outcome. We are confident that our existing preparations in this regard are sufficient but continue to monitor the risk this poses.
- 3.5 On 13<sup>th</sup> January 2021 Council passed a White Paper motion noting the passing of the UK-EU Trade and Cooperation Agreement and the opportunities the agreement provides the city’s economy. The motion requested a report to Executive Board in light of the recent agreement including an update on repatriated funding and on how the city can capitalise on any new opportunities presented by the agreement.
- 3.6 The council’s preparations are based on the response plan, which has been developed to provide a framework to deal with the uncertainty in the build up to EU Exit and the end of the Transition period. The response plan has been designed to be scaled up or down to deal with a variety of scenarios, including a deal or no-deal situation, and is being updated to reflect the terms on which the UK has left the EU and the potential impacts on the city.
- 3.7 Throughout the Coronavirus pandemic, the council have continued to maintain a close relationship with businesses and business representative groups through a variety of meetings the intelligence from which highlights anything that may impact on the delivery of our Inclusive Growth Strategy through our Economic Recovery Framework. We continue to work with partners to ensure that the council and city are as prepared as possible to minimise risks and negative impacts while looking to identify and exploit the opportunities provided by the UK’s Exit from the EU and future trade deals with countries across the world.
- 3.8 The cross-party Member’s Working Group will continue to meet to inform the ongoing work to exploit the opportunities that arise from our new relationship with the EU.
- 3.9 **Trade and Co-Operation Agreement**
- 3.9.1 The agreement covers three main pillars:
- A Free Trade Agreement - covering the economic and social partnership, including transport, energy and mobility.

- A new partnership for citizens' security - a framework for law enforcement and judicial cooperation in civil and criminal matters.
- A horizontal agreement on Governance – giving clarity on how the agreement operates and will be enforced.

3.9.2 The agreement runs to 1,246 pages<sup>1</sup>, and it will take time to fully understand the full implications of the agreement. The Council along with partners including the LEP and local Chamber of Commerce continues to monitor the implications of the agreement.

3.9.3 The agreement includes zero tariffs and quotas, and a commitment to non-regression on the issues of the environment, climate change, social and labour rights, tax transparency and state aid; along with individual agreements on the following:

- Investment
- Competition
- State aid
- Tax transparency
- Air and road transport
- Energy and sustainability
- Fisheries
- Data protection
- Social security coordination.

3.9.4 The agreement also states that there is no role for the European Court of Justice, and a Joint Partnership Council will monitor the agreement to ensure it is properly applied and interpreted.

3.9.5 State-aid and procurement will become UK domestic policies, and there is an agreement to join some future EU funding programmes (for e.g. the Horizon research programme, which has been an important source of science and research funding by Leeds Universities) and to leave others (e.g. the Erasmus education scheme).

3.9.6 There are a number of areas that the agreement does not cover in comparison to the previous EU-UK trade relationship, including:

- While the agreement has achieved no quotas and or tariffs which is positive news, there are other non-tariff barriers such as rules of origin checks and sanitary checks that apply to certain products. Due to the nature of these, it is expected most businesses trading with the EU will need to adapt their practices in some form.
- As with all EU trade agreements, coverage for services is limited. Services no longer have automatic access to the EU single market (“passporting rights”), nor is there an automatic recognition of professional qualifications (this must be done individually in each member state). The LEP estimates this will mean new barriers to £2.4bn of exports from West Yorkshire to the EU.

3.9.7 The agreement does not have provision on data adequacy, however the UK and EU have agreed a six month data adequacy bridge that gives time for a further agreement to be made.

3.9.8 The EU had 40 Trade Deals covering 70 countries. As of 1 January 2021 the UK has made Trade deals with 60 countries which mean that we continue trading in the same way as we have done through previous EU agreements. Our biggest trading partners covered by these deals are Switzerland, Norway and Iceland. The UK has also signed a deal with Japan on 22 October. This is the first Agreement that differs from the EU deal and amounts to around 2% of our total trade.

### 3.10 **European Funding**

- 3.10.1 As a member of the European Union, the UK received structural funding worth an average of £1.5bn per annum. Now that the UK has left the EU, this funding will cease and the UK Government has pledged to set up a UK Shared Prosperity Fund (UKSPF) that seeks to tackle inequalities between communities by raising productivity, especially in those parts of the country whose economies are furthest behind.
- 3.10.2 The Government's announcement included the continued commitment to eventually matching current ESIF funding levels, but the actual funding profile will be set out in the next spending review. The spending review contains a 'Heads of Terms' indicating that a proportion of the fund will target places most in need, such as ex-industrial areas, deprived towns, and rural and coastal communities. A framework for investment is expected to be published in Spring 2021.
- 3.10.3 The advance announcement on UKSPF in the spending review was that there will be £220m additional funding 2021-22 to help local areas prepare for the introduction of the UKSPF by piloting programmes and new approaches; we await further details on this.
- 3.10.4 There is no indication as to what level the UK-wide fund will operate at (e.g. Local Authority, LEP, Mayoral Combined Authority, or other), but it is expected that places receiving funding will be asked to agree specific outcomes to target within the UK-wide framework. Following the White Paper resolution of 13<sup>th</sup> January, Council will write to the Government on this issue to call for the repatriated funding to be devolved to Local Authorities and Mayoral Combined Authorities as soon as possible.
- 3.10.5 Leeds City Region has benefited substantially from European structural funding, and was allocated £389.5 million for the period 2014 to 2020<sup>ii</sup>; the funds replacing these through the Shared Prosperity Fund are a key priority. We continue to work with partners to maximise the city's influence over post-Brexit funding streams to ensure they are informed by local knowledge and have the freedoms and flexibilities needed in meeting the needs the Leeds economy.

### 3.11 **Business Support**

- 3.11.1 The Council continues to provide advice and assistance to businesses in the city, including signposting to other areas of support including the LEP and local Chamber of Commerce. In its role as the lead for the Yorkshire and Humber Growth Hub Cluster, the LEP is providing an EU Exit support service for businesses across the region, both internally, through partnerships with neighbouring LEPs and through commissioning additional capacity.
- 3.11.2 Working with Enterprise Growth Solutions (EGS), and the other three LEPs in region, the LEP has created the Yorkshire and Humber EU Transition Service as a single point of contact for businesses needing information and support. The service will operate until March 2021 and provide quick access to technical support services and one to one advice for businesses on a range of issues around international trade. It will also be able to connect businesses with more complex or specialist requirements with a range of expert support.
- 3.11.3 To help businesses in the region understand and adapt to the new international trading environment, and build new opportunities, the LEP has put in place a new service offering one-to-one advice and technical support to businesses and are making resources available with support from the Department for Business, Energy and Industrial Strategy (BEIS).
- 3.11.4 The LEP is also working closely with the Chambers of Commerce in the region to support businesses involved in international trade with the range of new documentation requirements facing them as well as hosting a series of EU exit

webinars on issues such as VAT and cashflow, supply chains, employment law, and marketing. It has also appointed a law firm to offer free legal support clinics to businesses on issues around EU exit.

### **3.12 International Relations**

- 3.12.1 The International Relations team is launching the Global Leeds campaign timed to coincide with the end of the transition period, with the aim of promoting Leeds as a global, outward looking and welcoming city. The campaign will work with key stakeholders across the city to promote a positive image of Leeds as a place to live, study, visit and invest while reinforcing cooperation with European cities post-Brexit, as well as forging and strengthening new non-EU partnerships. The campaign will focus on 6 pillars of activity: trade and investment; higher education; international partnerships; host of international sport; international city of culture; people and communities.
- 3.12.2 The trade and investment pillar involves reaching out to companies who have chosen Leeds as a place to invest, with business leaders acting as campaign spokespeople and providing case studies on their Leeds experience. Running in parallel to the Global Leeds campaign, the new Invest Leeds website will be launched at the end of March 2021, which will support our work to attract international investors to the city. LCC is also preparing to take part in the Invest North conference, which will take place in March 2021.
- 3.12.3 A key part of the “international partnerships” pillar of the campaign will involve the signing of new Memoranda of Understanding with our European strategic partner cities of Lille (France), Dortmund (Germany) and Brno (Czech Republic). These documents will reaffirm the commitment of both cities to the bilateral partnerships which have existed for over 50 years in the case of Dortmund and Lille. They will pave the way towards new areas of cooperation such as mapping the opportunities which exist for business cooperation in the digital sector in Dortmund, joint business events as part of Leeds Digital Festival and identifying target companies for inward investment from the Lille city region.
- 3.12.4 The higher education pillar of the Global Leeds campaign will involve working with our universities to strengthen messages around Leeds being home to world-class universities carrying out research with a global reach and an international student destination. Collaboration with universities around the global reach of their research is just one aspect of the current LCC and University of Leeds collaboration review around “unlocking the potential of civic collaboration”. The International Relations team is also planning to create the new “Leeds Global Forum” for exchange of best practice with cities and universities across the world on policy areas of key interest to Leeds. Collaboration through networks such as EUROCITIES and the Leeds Global Forum will give academics the opportunity to show the impact of their research at an international, European, city and community level.
- 3.12.5 EUROCITIES remains an important network for Leeds, as we continue to influence policy and raise the profile of Leeds and our Child Friendly City aspirations through our leadership of the newly formed Children’s and Young People’s Working Group. Many council services and university academics are actively engaged in the network and will continue to work with other cities across Europe to exchange best practice and work on joint projects. The recent announcement that the UK will have continued access to Horizon Europe funding for research and innovation post EU exit is of critical importance to our universities and EUROCITIES is an important facilitator and lobbyist for dedicated Horizon Europe funding for cities. Horizon funding will allow our universities to work in partnership with cities, universities, businesses and NGOs across Europe to develop innovative solutions to shared problems.

- 3.12.6 A new strategy for the Visitor Economy, Inward Investment and International Relations team is currently being developed. The strategy will include a focus on countries beyond the EU, which the council will target in order to attract investors and visitors, and strengthen cultural and community links in order to build the city's soft power. These countries include India, North America and China and will be developed in partnership with key city stakeholders such as the LEP, the universities, local businesses, sports clubs and cultural organisations. A dedicated officer at the LEP is focussing on building economic links with both India and China.
- 3.12.7 Our links with China are well established and we are constantly building on relationships with businesses forged during previous trade and investment missions, for example through an event with tech companies run by the LEP as part of Leeds Digital Festival.
- 3.12.8 India is a new target market and there will be a strong focus on the digital and tech, health and life-sciences sectors from a trade and investment perspective, with many Leeds cultural organisations keen to build cooperation in the cultural and creative sectors. LCC is working with the LEP on building economic links in India through events such as a virtual Northern Asian Power Mission, a further event focused on the Indian Diaspora in the UK and a roundtable in partnership with the Indian High Commission and the Federation of Indian Chambers of Commerce and Industry. The LEP is taking a sectoral approach to identifying business opportunities in India rather than targeting a specific city or region. This sectoral approach is being used to identify opportunities across the world, rather than targeting specific geographical markets.
- 3.12.9 Having been successful in attracting large numbers of international students from China in recent years, the University of Leeds and Leeds Beckett University are both targeting potential students from India. The announcement of the 2 year post-study work visa for international students has provided a major boost to the universities in pursuing the Indian student market. LCC is working with the two universities to promote the pre-Commonwealth Games training camp offer to commonwealth countries, with India top of the list of target countries. This work is part of a campaign to promote a strong image of Leeds as a university destination to prospective Indian students, building on our success in hosting of the Chinese Olympic team in Leeds prior to the 2012 London Olympics.
- 3.12.10 LCC is playing an active part in the work of the Core Cities UK International Group to identify those areas where working collaboratively can bring additional value to cities in pursuing their international ambitions and in raising the collective profile of UK cities abroad post-Brexit and post-COVID. The areas identified include how we leverage our soft power assets, influencing national government to see cities as key partners which can help to deliver their global priorities and joint engagement in global networks. The latter includes a renewed commitment to the EUROCITIES network in order to establish UK cities as trusted partners in a post-Brexit Europe. There is an opportunity for UK Core Cities to be represented with local companies and universities as part of a Green Industry exhibition as a fringe event to COP26 in Glasgow in November 2021.
- 3.12.11 Our approach to post-Brexit international relations is under constant review as macroeconomic factors, such as business opportunities relating to new trade deals and political factors, such as devolution, come into play throughout 2021

### 3.13 **EU Settlement Scheme**

- 3.13.1 The council continues to progress the local implementation of the EU Settlement Scheme in conjunction with partners, although due to the coronavirus pandemic we have had to suspend the free ID checking service in our community hubs during the

current national restrictions. We are planning to restart these services at Merrion House in accordance with COVID-secure guidelines when possible, and continue to engage with the wider third sector locally and with colleagues regionally and nationally implementing the scheme.

3.13.2 The council continues to support looked after children and care leavers who are affected by the EU Settlement Scheme. The council recognises that existing practice to support looked after children in obtaining the right to remain in the UK via the British Citizenship route will continue. Given the EU settlement scheme offers a further route to secure the right to remain in the UK, the current approach being taken is to review each case individually to determine the most appropriate route. The council reports to the Home Office on the progress of applications to the EU Settlement Scheme for looked after children and care leavers.

3.13.3 From the most recently available Home Office statistics (up to 30 September 2020), in Leeds there has been 42,360 applications to the EUSS, of which 39,940 have received a decision.

### 3.14 Procurement

3.14.1 The regulations on public procurement, which requires equal and non-discriminatory treatment of all economic operators, are broadly unchanged. However the UK's exit from the EU means we can exercise additional freedoms in relation to contract spend on goods, services and works contracts with a value below applicable thresholds set out in the Regulations.

3.14.2 With regards to this, the Government recently published PPN 11/20 which allows us to:

- reserve the procurement by supplier location – i.e. specify that only suppliers located in a geographical area can bid – in order to tackle economic inequality and support local recruitment, training, skills and investment

*and/or*

- reserve the procurement to Small and Medium sized Enterprises (SMEs) /Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid

3.14.3 Officers in the Council's Procurement and Commercial Services have been instructed to take account of PPN 11/20 when undertaking below threshold procurements going forward.

3.14.4 In December 2020 the Government published their Green Paper "Transforming Public Procurement". The Green Paper introduces a concept of "public good" where procurement should support the delivery of strategic national priorities such as economic, social, ethical, environmental and public safety. These proposals will build on the Council's Procurement Strategy which is already designed to get the most social value from our spending power. As part of the Green Paper the Government are operating a consultation which closes on 31<sup>st</sup> March 2021 to which the Council intend to participate. Corporate considerations

## 4.1 Consultation and engagement

4.1.1 The council will use existing partnership arrangements to engage with key partners in the city, supplemented by specific arrangements where needed.

## 4.2 Equality and diversity / cohesion and integration



4.2.1 The council will continue to monitor this using existing arrangements, especially the impact on communities and vulnerable people. Where needed, an Equalities Impact Assessment will be undertaken once there are specific policies and plans developed.

### **4.3 Council policies and the Best Council Plan**

4.3.1 Brexit has been, and will remain following the UK leaving the EU, a highly complex and dynamic policy agenda with a number of potential short, medium and long term implications for citizens, communities and businesses in Leeds. These complexities are increased further as we continue to tackle the coronavirus pandemic. We will continue to use the ambitions and values to respond to the challenges and opportunities as the full implications become clear so that Leeds can be a compassionate city with a strong inclusive economy, and healthy residents.

### Climate Emergency

4.3.2 It is too early to know what the specific implications of EU exit will mean for Climate Change, but Leeds City Council still aims to be carbon neutral by 2030. Since the introduction of lockdown measures last year, new ways of working, travelling and socialising has meant an increase in air quality, and we will use these new trends to capitalise on the green sector and creating new jobs.

4.3.3 The introduction of the Agriculture Act which received Royal Assent, may assist the UK in reaching its goal of net zero. The Agriculture Act allows for the introduction of the Environmental Land Management scheme to replace the Common Agriculture Policy which is designed to focus on how farmers and land managers may be paid for delivering public goods such as clean air and water, thriving plants and wildlife and the reduction of and adaptation to climate change. Trials of the scheme will begin this year with a view to a full role out in 2024.

### **4.4 Resources, procurement and value for money**

4.4.1 This will be considered on an ongoing basis, given both the implications of coronavirus and while the negotiations over our future relationship with the EU become clearer. This will be subject to further specific decision-making processes when required. Leeds City Council was awarded £315k from central government for Brexit preparations, in line with other unitary authorities for 2018/19 and 2019/20. Funding has been allocated to support specific Brexit related work and to cover staffing resource to co-ordinate Brexit preparedness activity. However there has been no further allocation of funding for 2020/21 and all previous funds have been used on previous preparations.

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

4.5.1 There are no specific legal implications arising from the recommendations in this report.

### **4.6 Risk management**

4.6.1 The risks related to the UK's exit from the EU which have been reported before will continue to be monitored through the council's existing risk management processes, with relevant risks on the council's corporate risk register including the UK exit from the EU as a possible source i.e. an event that may cause a risk to arise.

4.6.2 A corporate risk on the impact of the UK exit from the EU on the council has been developed, and is also a source of other council risks. The council remains cognisant of concurrent events such as the impact of the Coronavirus pandemic and the impact this will have on our risk profile. The corporate risk on EU Exit is reviewed on a minimum of a quarterly basis to ensure it remains up to date.

## **5 Conclusions**

5.1 This report provides an update on developments since the previous report to Executive Board now that the UK has left the EU, including an overview of the Trade and Cooperation Agreement, its potential impacts and the approach of the council moving forward to capitalise on any opportunities. It also provides an update on other areas affected by the EU Exit including the repatriation of EU funding and the EU Settlement Scheme.

5.2 The report notes the White Paper resolution from Council on 13<sup>th</sup> January 2021 including the call for repatriated EU funding to be devolved to local areas.

## **6 Recommendations**

6.1.1 Note the developments since the previous Executive Board report, overview of the Trade and Cooperation Agreement, its potential impacts and council's next steps following its signing to capitalise on any opportunities moving forward.

6.1.2 Following the White Paper resolution by Council, to agree the drafting of a letter calling on the Government to ensure EU funding repatriated to the UK is devolved to local Councils and Mayoral Combined Authorities as soon as possible.

## **7 Background documents<sup>1</sup>**

None

## **8 Appendices**

None

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<sup>i</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/948119/EU-UK\\_Trade\\_and\\_Cooperation\\_Agreement\\_24.12.2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf)

<sup>ii</sup> [014 to 2020: letter to Enterprise Partnership Chairs and MPs \(publishing.service.gov.uk\)](#)

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<sup>1</sup> 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.