

9th September 2019

The likely impacts of a no-deal Brexit on the SCR

Purpose of Report

With the UK set to leave the EU on 31 October, this paper outlines the potential risks of a no-deal Brexit to the SCR economy. The paper seeks to stimulate a discussion on potential impacts of a no-deal scenario and consider additional work to prepare and mitigate for a no-deal Brexit.

Thematic Priority

Cross Cutting - Economic

Freedom of Information

This paper will be available under the SCR Publication Scheme.

Recommendations

That Board members:

- Consider and agree the areas of activity detailed in this paper, against which to commence or accelerate activity.
- Consider the merits and purpose of establishing an Economic Resilience Taskforce.

1. Introduction

1.1 A report on preparing for the likely economic impacts on the SCR was taken to the LEP Board meeting in January 2019 and to the Overview and Scrutiny Committee in April 2019. This report outlined that the Government's long-term economic analysis showed a likely fall in GDP growth over a 15-year period on an increasing scale depending on how far the Withdrawal Agreement is from the current EU trade arrangement, with no-deal being the worst-case scenario.

1.2 Activities agreed by the LEP Board included the following:

- Development and publication of a Brexit Toolkit for businesses to consider and evaluate their preparedness and seek additional support;
- Active participation on the SCR Local Resilience Forum and, with other key local stakeholders, supporting businesses to collaborate on business intelligence;
- Lobbying civil servants on the importance of replacing European funding.

- 1.3** With a no-deal Brexit increasing in likelihood, and with national Government intensifying its no-deal preparations, it is important that the LEP considers the increased risks on the SCR economy posed by this scenario and any actions or mitigation measures required.
- 1.4** A paper was taken to the Business Growth Board on 28 August. Board Members agreed that the SCR should improve its level of business and market intelligence to enable increased targeting of support, put in place plans for an economic resilience / rapid response taskforce in case this is required and to continue and ramp up engagement with partner organisations.

2. Proposal and justification

2.1 Business preparedness

Intelligence from businesses, received via the Growth Hub, indicates that some businesses, having prepared once, do not want to do so again until there is more certainty on the outcome. Many SMEs are concerned about the impact of Brexit and are putting growth plans on hold, and investment decisions are being delayed.

Work is commencing to improve access to market intelligence thus better enabling the targeting of businesses support. An important part of this will be improved intelligence of the activities and behaviours of foreign-owned, and/or export-led, and/or strategically important SCR businesses.

Further actions to consider

- Further specialist business advisers and/or experts in tariffs to provide practical advice to exporters and develop a targeted marketing and support campaign for businesses in at risk supply chains trading with the EU. This could be delivered in association with the Chambers and other partners to add value to existing support.
- Provide more intensive support to our existing investors to support their continued retention within the SCR.

2.2 Business and institutional investment

The SCR, alongside other regions of the UK, has experienced a reduction in new investment enquiries following the outcome of the EU Referendum. In addition to a reduced investment pipeline, existing schemes are often being delayed pending clarity regarding the Brexit outcome.

There will be opportunities for future investment in a no-deal Brexit scenario. Government may want to invest in place-based interventions where an area has strengths and can show how it needs to grow.

Further actions to consider

- Develop a compelling investment pitch for the region to secure increased levels of institutional investment in infrastructure and property.
- Consider that some of SCR's investment might shift from job creation and growth towards resilience and safeguarding.

2.3 Economic Resilience Taskforce

SCR has met with the Local Resilience Forum and is working with them to provide the economic risk and preparedness. In support of the Local Resilience Forum, an Economic Resilience Taskforce could be convened. This will only be effective if sufficient resources can be marshalled and deployed at short notice. This taskforce can oversee actions and report both to the LEP (and sub-boards) and the LRF as appropriate.

2.4 Labour market including retraining

Rapid response services and retraining will be an important part of any response to an economic shock. The most recent experience of this was with Tata Steels and a lessons learned document was produced. Partners need to be prepared to consider how to mobilise quickly if there is such a shock and job losses.

There is also a need to consider the operation of the labour market more broadly, particularly those sectors that employ a greater proportion of migrant workers, including the logistics sector, the NHS, and further education. In the case of an economic shock evidence suggests that part time workers could be most vulnerable.

Further Actions to consider

- Partner planning for a rapid response task force
- Options to be developed on proposal for a retraining pilot

2.5 Government engagement

SCR Executive will continue to engage with Government ministers and civil servants. The Local Resilience Forum agrees that there is a need for an economic risk assessment and mitigation plan to maximise the opportunities and mitigate the risks of a no-deal Brexit.

3. Consideration of alternative approaches

3.1 Do nothing: The LEP could leave it to other organisations to plan for the likely effects of a no-deal Brexit. However, the underpinning purpose of both the LEP and MCA is economic development and therefore planning to maximise opportunities and mitigate for a potential economic shock in the region would fall under the SCR LEP and MCA's remit.

3.2 Other actions the SCR could do:

1. Ramp up the marketing of the BREXIT tool and promotion of other support via Chambers, FSB and other partners.
2. Improve intelligence on the national and local support offer and consider any gaps. Plan to enable the Growth Hub Service to swiftly translate the resultant outcomes of the deal/no-deal scenario into how businesses 'action' the outcomes and what measures they need to implement.
3. Accelerate the development of the revised SCR international trade programme, focusing on new, non-EU markets.
4. It has been announced that ten free ports will be created following Brexit. This provides a potential opportunity to be explored in relation to Doncaster Sheffield Airport.
5. Develop and implement lead generation capabilities to attract UK businesses to scale-up in the SCR. An example is the recent decision by UK Atomic Energy Authority (UKAEA) to invest in Rotherham.

4. Implications

4.1 Financial

Government's own analysis found that a no-deal could hit Yorkshire and the Humber's GDP by 8.5% over the next 15 years.

The MCA, like other Local Authorities, has a small amount of resource to target on Brexit preparations. The prioritisation of actions discussed in this paper will influence how this resource is deployed.

4.2 Legal

There are no direct legal implications to this paper at this stage.

4.3 Risk Management

The SCR Overview and Scrutiny Committee have suggested that the MCA / LEP have a Brexit Risk Register. Board Members are asked to consider this.

4.4 Equality, Diversity and Social Inclusion

A no-deal Brexit may disproportionately affect women and part-time workers in the SCR.

5. Communications

5.1 Many of the actions outlined in this report will have significant implications for communication activity. The proposal is that the SCR Executive Communications Team produce a communication plan of activity. This will include, but is not limited to:

- Lobbying of government for clarity over future funding (Shared Prosperity Funding) in order to design and resource programmes for businesses and individuals;
- Business communication to encourage preparedness and signpost to support;
- Stakeholder/partner liaison to share and communicate knowledge and intelligence

6. Appendices/Annexes

6.1 N/A

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: