

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2242

Title: London's exposure to trade disruption from EU exit

Executive Summary:

Approval is sought for expenditure of up to £50,000 on external service to prepare an assessment and a report on the exposure of London's economy and sectors to trade disruption due to the UK leaving the European Union. The analysis will focus on how exposed London's economy and different sectors of it are exposed to any post-Brexit trade disruption. It will focus on exposure risks rather than seeking to predict and quantify the extent to which these risks will materialise, which will depend on the final deal achieved in negotiations between the UK and the EU. It will assess the impact of trade disruption both directly due to various sectors trade exposure to the EU and importantly indirectly, due to sectors exposure via supply chains. By considering trade relationships between London and the rest of the UK it will also examine London's economy (and sectors) indirect exposure to post-Brexit trade disruption, i.e. disruption that reflects primary disruption of EU trade in the rest of the UK. This will aid the Mayor in coordinating the GLA's preparations for Brexit, e.g. in terms of prioritising risks and mitigation actions for the worst-affected sectors (be it in terms of seeking to influence the UK's negotiating priorities or seeking to compensate the impacts of the deals that will be ultimately achieved). The GLA will require the analysis and report to be completed by the third week of September 2018.

Decision:

That the Assistant Director of the Intelligence Unit approves:

- Expenditure of up to £50,000 on forecasts, analysis and a report on the possible impacts of Brexit on London's economy.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Jeremy Skinner

Position: Assistant Director of Intelligence Unit

Signature:



Date: 27. June. 2018

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and Background

- 1.1 Research published by a number of organisations since the June 2016 referendum¹ has highlighted how the impact of the vote to leave the EU is one of the largest potential economic effects on both the London's and the UK's economy, in both the short and in the long-run. However, the sectoral exposure of London and the UK due to indirect effects via supply chains has seen less research undertaken².
- 1.2 In the short-run, beyond the direct impact of the decline of sterling, the impact of Brexit on UK trade is likely to have been limited. While the long-term impact of the vote to leave the EU is very dependent on what post-exit deals the UK negotiates with the EU and other countries around the world.
- 1.3 Still it is likely that trade disruption will occur. In order to examine this belief objectively and to plan the response to Brexit, the GLA needs to know the potential exposure (both directly and indirectly) of London's economy to trade disruptions and for this exposure to be expressed in terms of headline numbers. As well as this a more detailed analysis of the exposure of the sectors of London economy to trade disruption is also needed. The GLA further needs to know the exposure to trade disruption of rest of the UK and, specifically, how the disruption in the rest of the UK will play through to London and conversely how the exposure of London will play through to the rest of the UK via supply chain linkages.

2. Objectives and Expected Outcomes

- 2.1 To produce analysis of the exposure (both directly and indirectly) of London and the rest of the UK to disruptions in trade due to the UK leaving the EU. An example of recent analysis that looks at this regional impact in some detail is Chen, w. et al (2017), however the GLA envisions that the procured analysis would go beyond the depth currently via more detailed sector level breakdowns.
- 2.2 It is envisioned that this analysis will present this exposure in a number of ways including but not limited to:
 - As a percentage of GVA in London and the UK's.
 - As a percentage of local labour income in London and the UK.
 - By detailed standard sector by GVA and local labour income.
 - By bespoke sector to be defined by the GLA in consultation with the successful bidder by GVA and local labour income.
- 2.3 Further analysis will examine the impact will include, but not necessarily be limited to:
 - The exposure of the rest of the UK (both aggregate and at a sector level) via interlinked supply chains to London's exposure to Brexit.

¹ See for example: Cambridge Econometrics (2018). 'Preparing for Brexit'. Greater London Authority.

² Examples of research that has been undertaken include Chen, w. et al (2017). 'The continental divide? Economic exposure to Brexit in regions and countries on both sides of The Channel'. Papers in Regional Science.

- The exposure of London (both aggregate and at a sector level) via interlinked supply chains to the UK's exposure to Brexit.
- The exposure of London and the UK (both aggregate and at a sector level) of improved trade access to selected key trading partners such as (and not limited to) the US, Canada, Australia, New Zealand, China and India.
- The results of this analysis should also if possible be compared with estimates of exposure across Europe from the available literature.

2.4 An Invitation to Tender will therefore seek a suitable organisation to undertake research to develop our understanding of the possible exposure of London's economy to post Brexit disruptions in trade. This process will require the delivery of detailed forecasts for both the immediate and the long-term impact of the Brexit process.

3. Equality comments

3.1 No adverse equalities impacts are identified. The analysis and report will support the GLA's equalities objectives by helping to inform the Mayor about which parts of London are likely to be most exposed to trade disruption due to Brexit.

4. Other considerations

4.1 The contract will be procured via TfL procurement.

4.2 If this analysis was not carried out it would limit the GLA's ability to plan how best to respond to the impact of Brexit.

4.3 As regional data is more limited than national level data it is possible that data limitations may lead to inaccuracies in the calculated exposure to Brexit related trade disruptions. However, regional trade data is available via the ONS and has been used in similar analysis in the recent past³. Successful candidate will also have access to GLA Economics' currently unpublished calculation of Input/Output tables for London.

4.4 All bids will be considered against technical criteria and value for money assessment. The breakdown of assessment for bids will be based on 75% of the available marks assigned to technical aspects, and 25% relating to the price quoted to undertake the research. The specific criteria are outlined in the following table:

Criterion	Weighting
Understanding of the GLA's requirements	10%
Quality and rigour of the methodological approach	30%
Previous experience to undertake this research	15%
Technical skills and ability to undertake this research	15%
Quality assurance processes and outlining project risks	5%
Price quoted for the research	25%

5. Financial comments

5.1 The expenditure of up to £50,000 will be split between the EPMU & Communities and Intelligence budget for 2018-19, held within both the Resources and Communities and Intelligence Directorates.

³ See for example: Chen, w. et al (2017). 'The continental divide? Economic exposure to Brexit in regions and countries on both sides of The Channel'. Papers in Regional Science.

6. Planned delivery approach and next steps

- 6.1 As part of their delivery of their results the successful candidate will be expected amongst other output to deliver a report (including within it an explanatory narrative about integrated supply chains and value added chains, and why they impact on this analysis of UK exposure), full access to the output numbers, a slide pack summarising key results and an analytical assurance statement setting out the steps that have been undertaken to ensure that the overall analytical approach was reasonable and fit for purpose. The following table gives an outline of the provisional timescales for this research, however bidders are invited to suggest amendments to intermediate milestones within their tenders, or recommend timescales based upon the approach they wish to use to address the needs of the GLA:

Task	Target Completion
Invitation to Tender posted	29 th June 2018
Deadline for submissions	13 th July 2018
Review of received bids and invitation to clarification meeting (if necessary)	w/c 18 th July 2018
Appointment of successful supplier	w/c 16 th July 2018
Inception meeting with project steering group	w/c 23 rd July 2018
First draft of report to be sent to the GLA	17 th August 2018
Review of draft and steering group meeting	27 th August 2018
Second draft of report sent to the GLA	17 th September 2018
Report completion and presentation to internal stakeholders	24 th September 2018

Appendices and supporting papers:

Specification attached.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason:

This ADD includes the overall budget of the project to procure, by competitive tender, an analysis and report on the exposure of London's economy to trade disruption due to Brexit. It is important that this information is not made public until after the consultants are appointed and a price and scope for works have been agreed and contracts exchanged. If a total project budget is made public in advance of this, it could lead to consultants providing inflated prices to complete works. This information should not be made public until after the consultants have been appointed.

Until what date: w/c 11th July (assuming appointment is completed on time)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:**Drafting officer:**

Gordon Douglass has drafted this report in accordance with GLA procedures and confirms that the Finance and –if relevant– Legal teams have commented on this proposal as required, and this decision reflects their comments.

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 25 June 2018.

HEAD OF FINANCE AND GOVERNANCE:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:



Date:

27-06-18

