

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2142

Title: The impact of leaving the EU on London's economy

Executive Summary:

Approval of expenditure of up to £50,000 is sought to procure by competitive tender a forecast analysis and report on the possible impacts of leaving the European Union. Britain's relationship with the EU post-Brexit falls within a spectrum ranging from greater to lesser continuity. This analysis will focus on various scenarios relating to the latter, for example, reverting to a trading relationship founded on WTO rules. In the media, these various scenarios have tended to be imprecisely referred to as a 'Hard Brexit'. It will assess the impact on a variety of aspects of the London economy, including how it interacts with the wider UK economy, and will aid the Mayor in coordinating the GLA's preparations for Brexit. The GLA will require the analysis and report to be completed by November 2017.

Decision:

That the Assistant Director of Intelligence approves expenditure of up to £50,000 to procure by competitive tender a forecast analysis and report on the possible impacts of a Brexit on London's economy.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

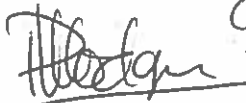
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Andrew Collinge

Position: Assistant Director of Intelligence Unit

Signature:

 (Paul Wedge on behalf of AC)

Date:

24/8/2017

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and Background

- 1.1 The impact of the vote to leave the EU is one of the largest potential economic effects on both the London and the UK economies, in both the short and long-run as has been highlighted by research published by a number of organisations prior to the June 2016 referendum¹. However, the size of these effects remains unknown as this depends on the ultimate form of Brexit, and knowledge of the post-Brexit UK economic environment across a range of dimensions such as trade, migration, and regulation.
- 1.2 In the short-run, beyond the direct impact of the decline of sterling, the impact of Brexit on the UK economy has been open to debate.
- 1.3 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. It is also dependent on a number of other factors such as agreements on research collaboration and funding, the perception of London and the UK as a place to do business, the post Brexit taxation environment in the UK, and any tightening of the UK's migration regime leading to restriction in London's labour supply.
- 1.4 One possible form of Brexit would involve relying on WTO trading rules and although other forms are possible it is widely believed that such a Brexit would have a significant impact on London's economy. In order to examine this belief objectively and to plan the response to any type of hard Brexit (if one was to occur), the GLA needs to know the potential impacts, both on headline indicators for the London economy, as well as more detailed analysis on those parts of London likely to be most heavily impacted. The GLA also needs to know how the impact of a form of hard Brexit will affect the rest of the UK and, specifically, how the impact in the rest of the UK will play through to London and conversely how the impact on London will play through to the rest of the UK.

2. Objectives and Expected Outcomes

- 2.1 To produce a forecast analysis of the economic outcomes for London and the rest of the UK of various Hard Brexit scenarios against the baseline of membership of the EU over the next 15 years, with a look at both the immediate impact of the event and the longer-term impacts.
- 2.2 To present the envisioned scenarios to include, but not necessarily limited to:
 - UK membership of the European Economic Area
 - A bespoke negotiated bilateral agreement model
 - Trade under WTO rules
 - Other variants of a Hard Brexit such as a Hard Brexit plus meeting the Government's migration target
- 2.3 A set of further forecasts for Hard Brexit examining the impact on, but not necessarily limited to:
 - Output
 - Employment
 - Investment

¹ See for example: Mayor of London, August 2014, 'The Europe report: a win-win situation: Appendix A'. Greater London Authority. HM Treasury, 18 April 2016, 'HM Treasury analysis: the long-term economic impact of EU membership and the alternatives'. IMF, June 2016, 'United Kingdom: Selected Issues'. IMF Country Report No. 16/169. OECD, April 2016, 'The Economic Consequences of Brexit: A Taxing Decision'.

- Household Income
- The sectors of London's economy with those sectors particularly heavily impacted highlighted in the report
- The cultural and the science and technology sectors
- Start-up and scale-up enterprises
- The rest of the UK

2.4 An Invitation to Tender will therefore seek a suitable organisation to undertake research to develop our understanding of the possible impacts on London's economy of various Brexit scenarios. 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 affected by a Hard Brexit.

4. Other considerations

4.1 The contract will be managed via TFL procurement under the existing GLAE procurement framework.

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 a Hard Brexit.

4.3 As with all forecasts, there is a risk that none of the imagined scenarios will occur and that the forecast is inaccurate.

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%

All bids will be assessed on a six-point scale across each criterion, outlined as follows:

Score	Description
0	Unacceptable or no response
1	Unsatisfactory, no significant evidence and fails to meet specified requirements.
2	Poor, only partially meets specified requirements
3	Satisfactory, criterion mostly met with few omissions.
4	Good, demonstrably meets specified requirements in full.
5	Excellent, demonstrably exceeds the specified criterion and provides added value to the specification.

5. Financial comments

5.1 The expenditure of up to £50,000 will be funded from the Executive Director of Communities and Intelligence Minor Programmes budget for 2017-18, held within the Communities and Intelligence Directorate.

6. Legal Comments

6.1 It is within the GLA's powers, under section 30 of the Greater London Authority Act 1999, to promote economic development and wealth creation, and social development, in Greater London, and its subsidiary powers under section 34 to do anything facilitative of the exercise of its functions, to carry out research into the economic effects on London of reasonably foreseeable external events, such as the proposed departure of the UK from the EU.

7. Planned delivery approach and next steps

7.1 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	25 th August 2017
Deadline for submissions	8 th September 2017
Review of received bids and invitation to clarification meeting (if necessary)	w/c 11 th September 2017
Appointment of successful supplier	w/c 11 th September 2017
Inception meeting with project steering group	w/c 18 th September 2017
First draft of forecast to be sent to the GLA	13 th October 2017
Review of draft and steering group meeting	30 th October 2017
Second draft of report sent to the GLA	20 th November 2017
Report completion and presentation to internal stakeholders	27 th November 2017

Appendices and supporting papers:

Tender Form to be 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 possible impacts of a 'Hard Brexit' on London's economy. 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 25th September (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.

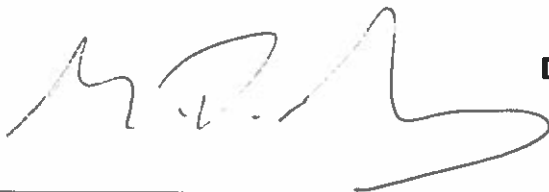
Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 7 August 2017.

HEAD OF FINANCE AND GOVERNANCE:

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

Signature:



Date:

23-08-17

