



## **Lancashire Enterprise Partnership Limited**

**Private and Confidential: NO**

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### **Local Business Preparation for Brexit**

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#### **Executive Summary**

Following the failure by the Government last month to secure Parliamentary support for its proposed arrangements for the U.K. to exit the EU, there has been increasing uncertainty as to what will happen after 29 March 2019. This has had an impact on businesses in Lancashire as elsewhere in the country.

The purpose of this report is to highlight the principal areas of concern for Lancashire businesses and to consider the support that the Lancashire Enterprise Partnership (LEP) can offer local businesses to strengthen resilience in a time of unprecedented challenge.

#### **Recommendation**

The Lancashire Enterprise Partnership Board is recommended to note the report and to receive further updates on local business preparation for Brexit at future board meetings.

## **Background and Advice**

Since the United Kingdom (UK) Government served the Article 50 notice formalising the U.K. intention to exit the EU in 2019, it has sought to replace European Union (EU) membership with alternative arrangements which will secure existing trade with minimum disruption with the initial transition period being one of no change. The deal that was negotiated by the U.K. was rejected by Parliament on 15 January 2019 which in principle will result in the U.K. exiting the EU with no formal arrangements in place either with the EU or with other non-EU trading partners. This is an outcome that both the U.K. and the EU wish to avoid and although a number of options to avoid this have been flagged a sense of uncertainty pervades with the situation fluctuating frequently.

Whilst U.K. businesses will eventually lose access to EU funding, this will not happen immediately and projects funded through EU grants will retain financial support so that schemes can be completed. The Government is proposing to consult on a shared



prosperity fund to replace EU structural funding but no details of how this will work has been forthcoming. This issue will also impact upon the charitable sector which will also lose substantial EU funding following Brexit.

Most businesses will remain unaffected by changes to structural funds and are presently focussed on more immediate concerns.

Should the U.K. leave the EU without a deal, those businesses with a strong export base are anxious about the practicalities: what arrangements will be in place after Brexit to allow them to continue selling to EU countries? Undoubtedly this will be a lengthier process with declarations as to safety and security required where none currently exist. The UK will also lose its duty free status. A recent survey by the North and Western Lancashire Chamber of Commerce suggests that new customs arrangements and the imposition of tariffs is high on the list of local business concerns. Trading Standards services across the country are working on replacement regulations but this is an ongoing process which is far from complete.

Many businesses have also expressed concern about a growing skills shortage affecting the U.K. with one source of skill being cut off following Brexit. This particular concern has affected many sectors including social care. The settlement scheme which will apply irrespective of whether there is a deal or a no-deal Brexit, should offer some comfort in relation to EU migrant workers who have lived and worked in the U.K. for some time but doubts still remain as to whether UK business will be able to call upon a workforce with sufficient skills to compete in the short and medium term. However, this leaves many issues relating to personnel unanswered such as what new rules might be introduced affecting British people visiting EU countries for business reasons and whether the rules relating to UK employment practices will operate as a bar to attracting skills from the EU and beyond.

It is also clear that Brexit will affect the UK's market in imported goods of which pharmaceuticals has attracted the most significant media attention. Most businesses rely upon a whole raft of supplies which are imported and whilst these will not dry up following Brexit, it is anticipated that costs will rise across the board putting pressure on all sectors. Business will also be susceptible to unforeseen shortages such as that which affected products using CO2 in their manufacture last summer. The greatest fear amongst businesses is that we will see a repeat of the fuel shortages of 2000. There is some comfort provided by the general confidence in the U.K's fuel resilience which saw arrangements put in place after 2000 to prevent a recurrence of that event.

Local chambers of commerce have considered how best to support local businesses through Brexit with North and Western Lancashire Chamber of Commerce having recently concluded a survey to identify areas of most significant concern. A conference is planned for 26 April 2019 at the Guild Hall at which the LEP is expected to be represented. The British Chamber of Commerce has been an important channel for information emerging from Government and the Brexit Hub on the main BCC website as well as that of the East Lancashire Chamber of Commerce provides a significant amount of detail on issues such as the operation of the settlement scheme (<https://www.britishchambers.org.uk/>).



Brexit will undoubtedly have an enormous impact on U.K. Business life and this will include opportunity as well as difficulties. The North Western Lancashire Chamber of Commerce are beginning to focus on how to stimulate the internal market to fill the gap for opportunities lost in the EU.

The LEP is well placed to make a positive contribution to easing the transition to U.K. business life outside the EU. At present the lack of certainty hampers planning especially around such issues as the technical requirements for export but the work currently being undertaken by the chambers of commerce should serve as a platform to enable the LEP to work with partners across business and the public sector to ease the difficulties and maximise the opportunities.

### **List of Background Papers**

Paper	Date	Contact/Tel
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None		
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Reason for inclusion in Part II, if appropriate

N/A