
Report to: Leeds City Region Enterprise Partnership Board (LEP Board)

Date: 21 January 2021

Subject: **EU Exit**

Director: Alan Reiss, Director of Policy, Strategy and Communications

Author(s): Alex Clarke, Policy Manager, Business Growth and Resilience

1. Purpose of this report

- 1.1 To provide an update to the LEP Board on EU exit, including on the implications of the EU-UK Trade and Cooperation Agreement. The report also summarises business support activity being undertaken.

2. Information

EU-UK Trade and Cooperation Agreement

- 2.1 The transition period of the UK's exit from the European Union ended on 31 December 2020. On the 24 December 2020, the two parties agreed a Trade and Cooperation Agreement (alongside a number of separate agreements on individual topics), which was given royal assent in the UK through the European Union (future relationship) Bill on the 31 December 2020.
- 2.2 The EU-UK Trade and Cooperation Agreement covers three central pillars¹:
- A free trade agreement - covering the economic and social partnership, including transport, energy and mobility.
 - A new partnership for citizens' security - a framework for cooperation between law enforcement and judicial authorities across civil and criminal matters.
 - A horizontal agreement on Governance - an overarching arrangement which will allow for cross-retaliation across different economic areas.
- 2.3 The core text of the Agreement runs to 1,200 pages and work is ongoing to understand the full implications for the City Region, but the key headline implications of the Agreement are (and implicated sectors where relevant):
- **Zero tariffs and quotas on all qualifying goods:** this is positive news for many of the 4,800 West Yorkshire businesses exporting to Europe

¹ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2531

(and those importing). However, businesses will need to understand rules of origin requirements, conformity assessments and sanitary checks that apply to specific products. Many of these requirements are very specific and technical, meaning that almost all businesses trading with the EU need to adapt their current practices in some way. Key sectors impacted include manufacturing, chemicals, food and drink and retail.

- **Coverage of services is limited compared to goods:** this is true of all EU trade agreements and means new barriers for c£2.4bn of exports from West Yorkshire to the EU (47% of total service exports). Key restrictions are those on short-term business trips and the new framework for the mutual recognition of qualifications, which will initially see no automatic recognition of UK qualifications for those looking to work in the EU. Key sectors affected include professional services, creative industries and financial services.
- **Movement of goods and people between the UK and EU (and NI) will involve additional steps and restrictions:** Hauliers and logistics businesses in West Yorkshire do not need new permits or certificates on qualifications. However, UK lorries will be able to carry fewer loads between EU member states, and UK airlines will not be able to run intra-EU routes under the Agreement. Larger businesses will perhaps change their legal structure to mitigate these restrictions, but additional steps on moving goods is likely to impact on revenues across supply chains as extra costs are factored in. Individuals will also need to understand immigration rules of the member state they wish to enter prior to travelling and may require visas.
- **Numerous level playing field provisions:** these establish the ways in which the two sides will cooperate to ensure fair levels of standards (including environmental, labour and social) and subsidy arrangements – the key being to protect material impacts on trade and investment of any divergence or changes on either side. Many of these measures are untested, and it is unclear how either side might look to apply rebalancing in the event of a perceived change.
- **Key transitional arrangements agreed:** there are several transitional arrangements in place where agreement has not yet been established or to allow time for businesses to adjust. This includes a 6-month transition for UK imports (but not exports). Key sub-documents still to be completed include those on data adequacy (a 6-month transition has been agreed to allow data transfer to continue) and financial services equivalence (although on the latter, the sector as a whole seems well prepared). The Agreement by no means precludes further agreements, bilateral or otherwise, to be added over time. Key sectors affected – professional services, financial services.
- **Continued UK access to key programmes:** this includes Horizon Europe, the Euratom Research and Training programme, the fusion test

facility ITER, Copernicus, and access to the EU's Satellite Surveillance & Tracking (SST) services. Horizon in particular is an important source of science and research funding and has been utilised by Leeds City Region Universities.

Business Support for EU Exit

- 2.4 In its role as the lead for the Yorkshire and Humber Growth Hub Cluster, the LEP has appointed Enterprise Growth Solutions (EGS) to deliver an EU Exit support service for businesses across the region. This will provide one-to-one advice and support for businesses, via a dedicated team of experts, on any issues related to the impact of EU Exit and the Trade and Co-operation Agreement. The service will initially be in place until the end of March 2021 and will complement the export support activities already being delivered by EGS (through its contract with the Department for International Trade), and the broader support available from the Business Support Service.
- 2.5 To complement this and drive more business traffic towards it, the LEP has partnered with the York and North Yorkshire LEP on an outreach service. This commenced in January 2021 and involves proactive targeting of businesses to offer help and advice with issues related to EU Exit.
- 2.6 In addition, the LEP is supporting the City Region's two Chambers of Commerce (West & North Yorkshire via its trading arm for international trade, Chamber International, and the Mid-Yorkshire Chamber of Commerce) to build capacity to provide specialist support for traders on the new import and export documentation, and regulatory requirements. This responds to ongoing high demand for such support.
- 2.7 Evidence from the Chambers is not only that the volume of EU Exit-related enquiries is rising substantially, but also that the nature of them is increasingly complex and time-consuming, increasing the need for additional specialist support with documentation, regulatory changes and product accreditations. The support provided by the Chambers, available to both members and non-members, will complement that of EGS via the regional service, which will handle the less intensive and more transactional enquiries from businesses, referring more detailed and resource-intensive ones to the Chambers.
- 2.8 Furthermore, at the time of writing, the LEP is out to tender to appoint two delivery partners to provide advice and support to businesses with legal and finance issues related to EU Exit. The legal support will cover issues related to contracts and terms (with customers, suppliers, employees and landlords), intellectual property rights, data protection, data storage and retrieval, and any other relevant matters in need of legal advice. The finance support will advise and support businesses on tax implications (particularly VAT), currency management, cashflow management and general financial resilience.

- 2.9 Additional support for businesses in relation to marketing and communications was also be tendered for in January 2021. This will focus on how businesses can internationalise their web and social media presence to access new customers and markets.
- 2.10 The above critical business support activities have been mobilised at pace by the Combined Authority's Economic Services directorate, with support from Policy, Strategy and Communications and Corporate Services, following the provisional allocation of circa £250,000 from the Department for Business, Energy and Industrial Strategy (BEIS) to the LEP in late December 2020.
- 2.11 As well as the BEIS funded support, work is also underway to gain a clearer understanding, directly from businesses, of the practical impact on specific sectors in the City Region e.g. financial services and manufacturing. Working in partnership with DIT, EGS and York & North Yorkshire LEP, the LEP has commissioned KADA Research to assess the impact of EU Exit on the international trade activities of businesses across the Leeds City Region & York and North Yorkshire.
- 2.12 This project will be operational between November 2020 and March 2021 and will focus on two key areas of work: a programme of business engagement to understand impacts on the ability of businesses to trade internationally, and a series of workshops bringing together relevant experts with local businesses to address the key issues identified. Interviews with both businesses and stakeholders are currently underway.

3. Clean Growth implications

- 3.1. The EU-UK Trade and Cooperation Agreement covers a wide range of factors that have implications for clean growth, including on energy cooperation and a separate agreement on nuclear energy. The environmental commitments are more extensive than in other EU trade agreements. Both the UK and the EU will maintain an independent energy policy, although they have committed to continue cooperation. A separate agreement will need to be finalised before 2022 on the physical interconnectors for electricity energy transfers across borders. It is also possible that the UK and the EU could link their carbon pricing systems in the future.

4. Financial Implications

- 4.1. The LEP received an allocation of circa £250,000 from BEIS in December 2020 to support the delivery of business support up to the 31 March 2021. As a result of the EU-UK Agreement it may be that further financial resources are required to support businesses in maximising the opportunities and minimising any potential negative impacts of the deals implementation, subject to further analysis and intelligence relating to key issues.

5. Legal Implications

- 5.1. The EU-UK Trade and Cooperation Agreement has legal implications for the UK and for the LEP in terms of commercial or cooperation activity with the European Union or individual member states.

6. Staff implications

- 6.1. There are no direct staffing implications arising from this report.

7. External Consultees

- 7.1. No external consultations have been undertaken.

8. Recommendations

- 8.1. To note the initial analysis of the EU-UK Trade and Cooperation Agreement and to provide any feedback on areas of interest or concern of the Board for further work.
- 8.2. To note the activity being undertaken in terms of business support with businesses in Leeds City Region and provide feedback on the new and upcoming activity funding through the allocation from BEIS.

9. Background Documents

- 9.1. None

10. Appendices

- 10.1. None