

EU Exit Business Readiness Forum

24 October 2019

Welcome

- Andy Harrison
Head of the Brexit Business Engagement and Intelligence Team

DExEU Update

- Stephen Dyer, DExEU

Business Brexit Helpline

- Ian Anthony, BEIS

Business Brexit Helpline

Call the helpline to find out about:

- where to find information and guidance on what your business needs to do to prepare for Brexit
- other government helplines that are available to support your business to prepare for Brexit

Telephone: 0300 2000 900
Monday to Friday, 8am to 6pm

<https://www.gov.uk/contact-business-brexit-helpline>

EU Funding Programmes Post-Brexit

- Fintan Horan-Stear, BEIS

The Issue

- In the event that the UK leaves the EU without a deal, the UK will leave the EU Budget, meaning UK organisations would no longer be eligible to receive future funding for projects under EU programmes, such as the European Regional Development Fund and Horizon 2020, without further action.

Government Action

- In 2016, the government announced that it will guarantee EU projects agreed before we leave the EU, to provide more certainty for UK organisations over the course of Brexit.
- In July 2018, the government extended the guarantee to cover payments for the lifetime of projects signed before the end of the current EU funding period at the end of 2020.

Scope of the Guarantee

- The guarantee covers:
 - Full Multiannual Financial Framework allocation for structural and investment funds over the 2014-20 funding period, with payments to beneficiaries made for the lifetime of their projects.
 - Payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis while we remain in the EU. This applies to the lifetime of the project.
 - Payment of awards under successful bids where UK organisations can participate as a third country in competitive grant programmes from Exit day for the lifetime of the project.
 - Current level of agricultural funding under CAP Pillar 1 until 2020


Limits to the scope of the guarantee

- The Guarantee only covers funding committed to UK beneficiary organisations. **It does not cover funding committed to participants in other member states.**
- This means that where a UK organisation is the lead member of a consortium, any funding it distributes to non-UK organisations with which it is working collaboratively is not covered by the Guarantee.
- Separately from the scope of the Guarantee, UK Research and Innovation (UKRI) will also manage the independent assessment of UK applications to European Research Council (ERC), Marie Skłodowska-Curie Actions (MSCA) and SMEi grants that have been submitted before Brexit, if they are not assessed by the European Commission. Successful applications will be funded for the lifetime of the project.

Who is affected?

- The HMG Guarantee applies to UK organisations, such as charities, businesses and universities, if they have successfully bid into EU-funded programmes before the end of 2020.
- This includes (but is not limited to):
 - Horizon 2020 (including Euratom R&T programme)
 - Structural Funds e.g. European Regional Development Fund (ERDF), European Social Fund (ESF) and European Territorial Cooperation (ETC)
 - Erasmus+
- The Guarantee applies to UK members of EU funded consortia where project continuation is not affected by the UK's change of status from a Member State to a third country. Where the UK is no longer eligible to participate in EU consortia due to Member State requirements, some projects may be repurposed or committed costs incurred by the UK organisation in question covered by the government.

Action required before Exit

- **Read the guidance:** [The Government's guarantee for EU-funded programmes if there's no Brexit deal.](#)
- **Continue with project delivery** in line with the terms of their existing agreement or contract.
- **Register with the relevant UK authority** who has responsibility for their programme where they have an agreement with the European Commission (to enable comms to be sent directly).
 -  Beneficiaries of **Structural Funds** (ERDF, ESF, ETC) do not need to register, as existing Managing Authorities already have all the relevant information on beneficiaries”.
- **Continue delivery activity as contracted**, and carry on making claims for payment promptly, where they have an agreement in place with a UK managing authority or EU managing authority/national agency. Recipients of funding would be notified of any changes by the appropriate managing authority or relevant UK authority.

EU Funding in Northern Ireland

- Northern Ireland receives funding from two European Territorial Cooperation (ETC) programmes (PEACE and Interreg V.A.). These are cross-border Structural Funds which play an important role in the peace process.
- The programmes are jointly implemented with the Republic of Ireland.
- In a No Deal, the EU and UK have agreed to protect these two cross-border programmes, which will carry on as they do now. The funding guarantee will be used to pay for the UK's share of the programmes, and will exceptionally also cover Irish beneficiaries involved in PEACE and Interreg V.A.

Annex

- [HMG Guarantee list of funds and contacts.](#)
- Horizon 2020 [No Deal Fact Pack:](#)
- UKRI [EU Exit Page:](#)

Access to Finance and the British Business Bank

- Francis Evans, BEIS

Access to Finance

- Our objective is to ensure that all businesses have access to the finance they need to start, grow and stay ahead
- This includes debt, equity and asset finance
- We focus on ensuring informed demand as well as adequate supply for each stage of growth, from start-up loans to long-term equity investment (patient capital)
- Our key partners are the British Business Bank (BBB) which is the UK's development bank, and UK Finance which represents banks and other finance providers

The Business Finance Council

- Big 6 banks, UK Finance, Finance and Leasing Association
- Bibby finance and Funding Circle
- FSB, British Chambers of Commerce and ICAEW
- Chaired by the Business Secretary and Economic Secretary
- First met on 9 October, second meeting 23 October
- Seeks to understand the market, analyse gaps and act on them if it can. Sponsors the...

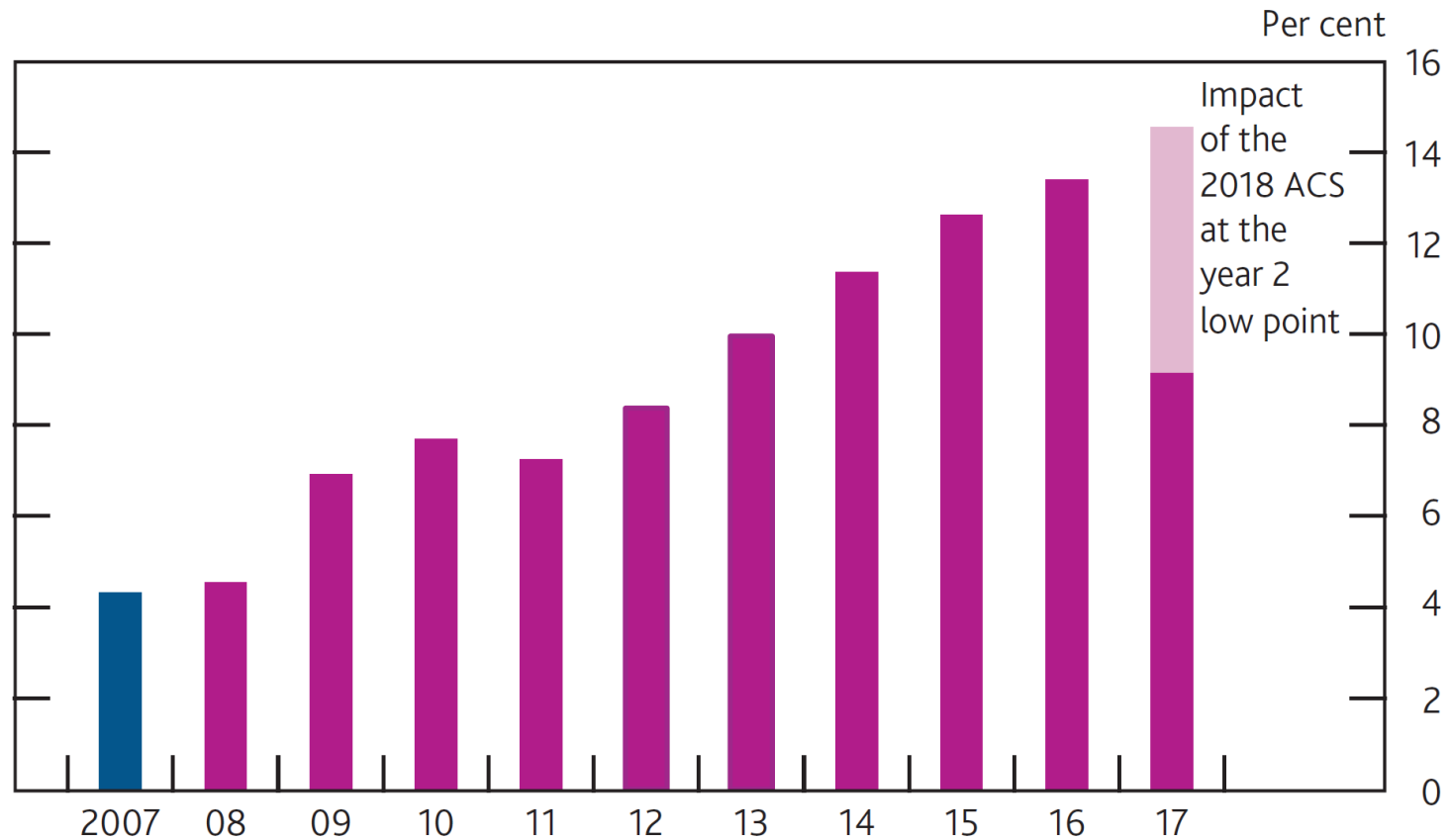
SME Finance Charter

17 signatories so far, making commitments under 5 pledges:

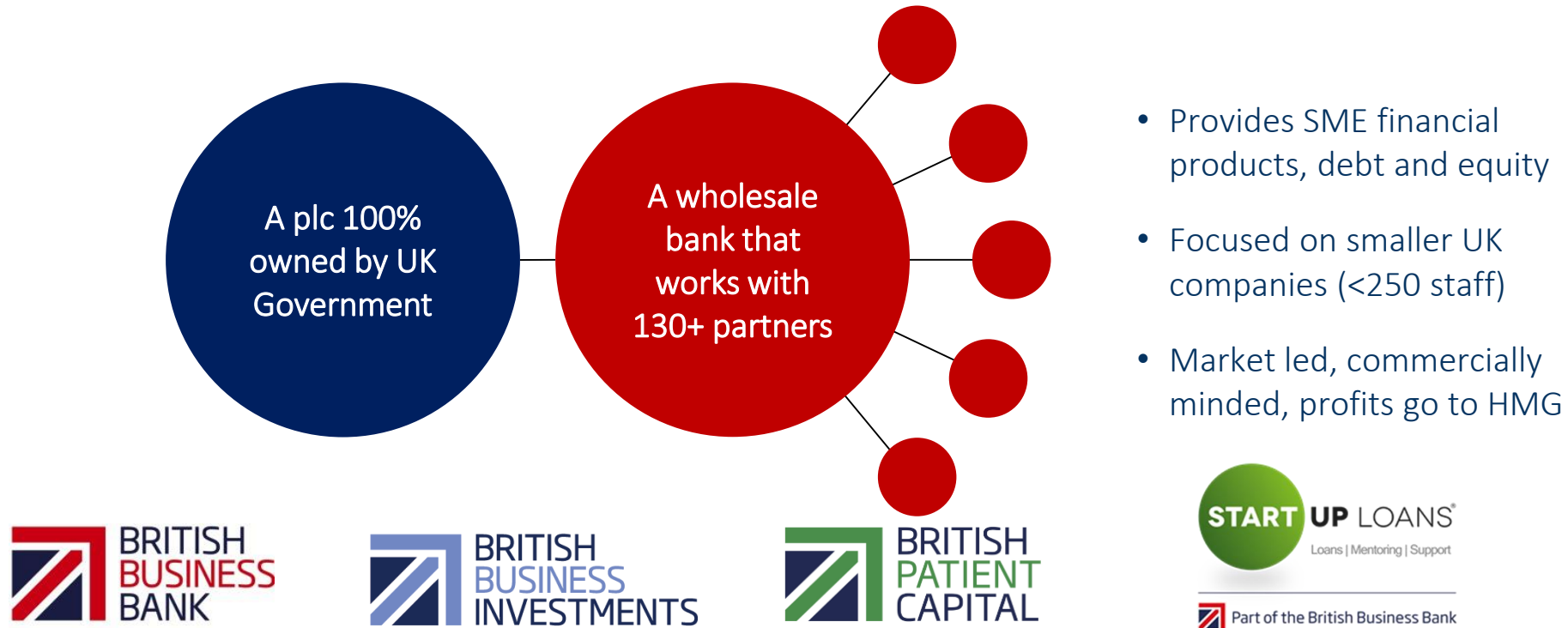
- 1. We're open for business and ready to lend.
- 2. We'll help you prepare for Brexit and beyond.
- 3. We'll support your application and signpost other options if needed.
- 4. We'll treat you fairly at all times.
- 5. We'll work with the government-owned British Business Bank to support SMEs.

The UK's banks are transformed since 2007

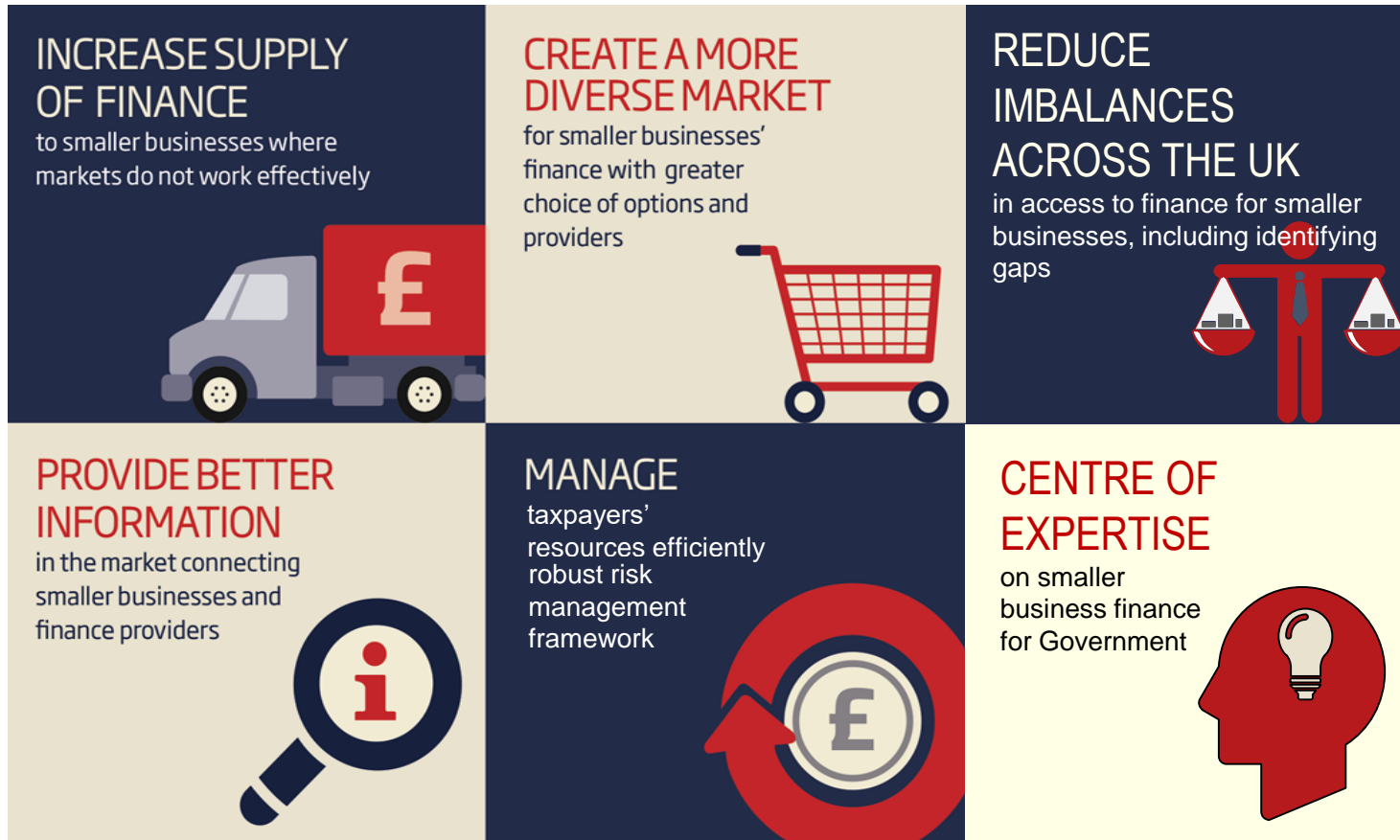
Chart shows Tier 1 capital ratio of UK's 7 largest banks



The British Business Bank (BBB) is the UK's domestic development bank



The BBB's six objectives (two were added in 2018)



Market gaps (and actions)

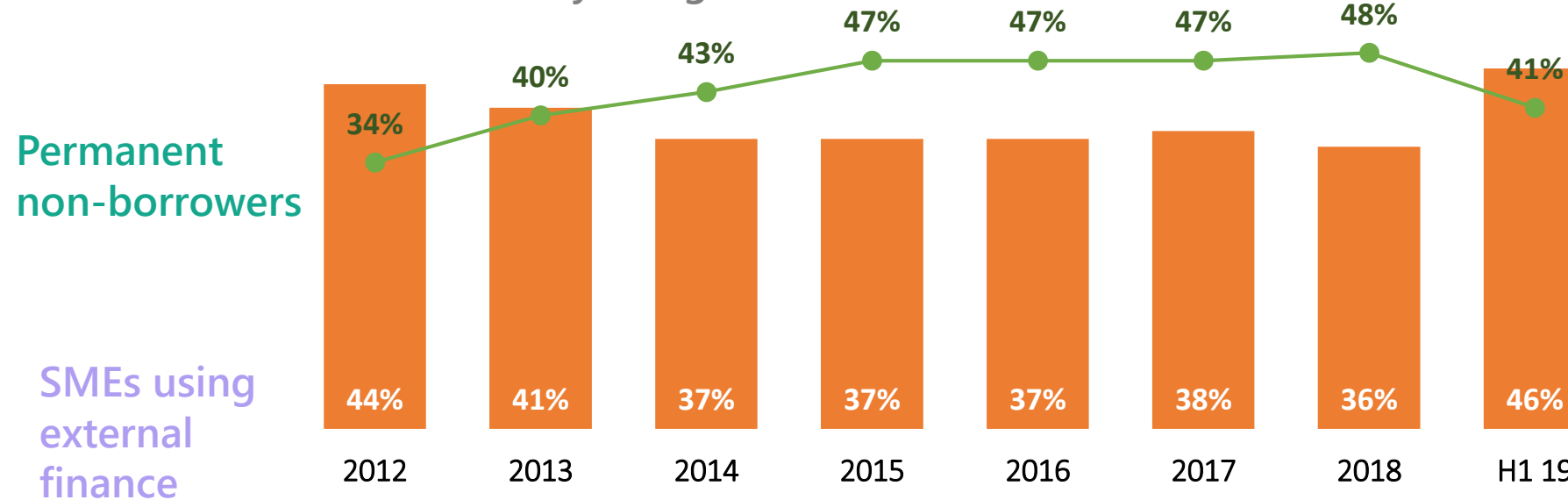
- New businesses find it harder to borrow (Start Up Loans)
- Less established businesses with little collateral also find it hard to borrow (Enterprise Finance Guarantee)
- SME lending is highly concentrated (ENABLE programme for smaller providers, including asset finance)
- Equity finance is harder to obtain and the fund sizes are smaller than in the US (BBB equity programmes)
- There is a disparity between London and other regions (Debt + equity funds in the Midlands, North & Cornwall)

SME Finance Markets – a story of subdued demand

- 41% of all SMEs are ‘permanent non-borrowers’ (PNBs)
- PNBs are as profitable as other businesses, though less innovative and less likely to be planning to grow
- 73% of all SMEs would prefer not to borrow, even if this meant foregoing a growth opportunity
- The cash balances of SMEs outweigh their borrowing by 2:1 (cash balances on average = 25% of turnover)
- SMEs use around 60% of their overdraft capacity

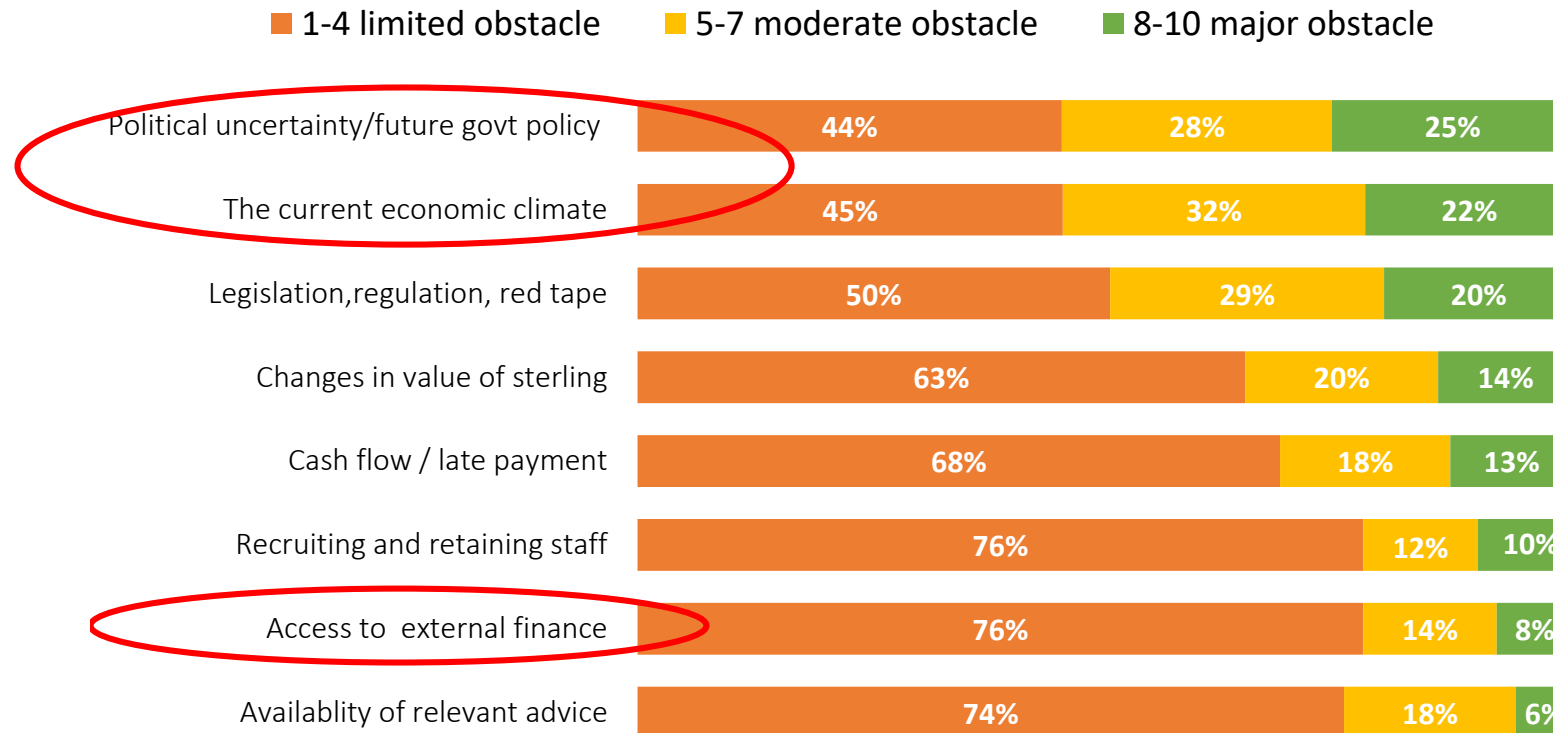
For the first time since 2014 there were more SMEs using finance in H1 2019 than there were 'Permanent non-borrowers'

Annual time series: Currently using external finance and Permanent non-borrowers



The 'Permanent non-borrowers' are not using external finance and show no inclination to do so. In 2012, 34% of SMEs were PNBs, increasing steadily to 47% for 2015 and then remaining stable to 2018. There were fewer PNBs in H1 2019 and more SMEs using finance, so the 'gap' previously seen between the two groups no longer exists

Legislation, political uncertainty and the economic climate remained the three key barriers for SMEs in Q2 2019, mentioned by 41% of SMEs



Main barriers to running business in next 12 months – Q2 2019

Where do individual businesses find information?

- Sources of finance

<https://www.gov.uk/business-finance-support>

- Understanding options: the Finance Hub (BBB)

<https://www.british-business-bank.co.uk/finance-hub/>

- Planning and applying: *Let's talk business* (UK Finance)

<https://www.ukfinance.org.uk/policy-and-guidance/guidance/lets-talk-business>

- Access to finance: via individual providers or a broker

<https://www.findsmefinance.co.uk/>

Useful searches

'SME Finance Monitor'
'Small Business Finance Markets 2019'
'UK Finance SME Lending'
'Let's Talk Business'
'Business Finance Council'
'SME Finance Charter'

Happy to answer any queries afterwards...

francis.evans@beis.gov.uk

Mobility

- Joanna Moody, BEIS

No Deal Scenario

EU Nationals living and working in the UK

- If already living in the UK before Brexit EU citizens will be able to apply for the **EU settlement scheme**, which if granted will give indefinite leave to remain.
- They and their families can register for EU Settled Status for free until the end of 2020.

EU Nationals travelling to the UK

- EU, EEA and Swiss citizens and their families who move to the UK after Brexit will be able to continue living, working and studying in the UK until 31 December 2020. If they intend to stay beyond the end of December 2020, they should apply for **Temporary Leave to Remain**, which is free.
- **Short-term travel** to the UK will remain largely unchanged until a new immigration system is in place from 2021. EU, EEA and Swiss citizens arriving after 31 October 2019 will still be able to come to the UK as they do now, and border crossing arrangements will not change.
- **MAC commission** on a future immigration system - the call for evidence is now open and we encourage you to respond.

UK Nationals to the EU – Short term business travel

- If you export a service, you may experience changes to business travel that involves crossing an EU border.
- The EU will allow UK citizens to travel to the EU for **90 days in any 180 days** for business meetings, training, sports and cultural events, and short-term study.
- UK citizens should ensure their passport is less than 10 years old and has at least 6 months validity on the day of travel.
- If you are undertaking activity outside of these areas or intend to stay for more than 90 days in any 180-day period, **you should check whether you will need a visa, work permit or other documentation.**

Deal scenario

- No changes on services or mobility during the Implementation Period.
- Political declaration states that we will look to negotiate visa-free travel for short term visits and temporary entry and stay for business purposes.
- We also agreed to consider:
 - conditions for entry and stay for purposes such as research, study, training and youth exchanges; and
 - addressing social security coordination.

Temporary Tariff Regime

- Dan Casperz and Iain Fifer, DIT

Temporary tariff: overview

- If the UK leaves the EU without a deal, the Government will introduce a **Temporary Tariff Regime** for imports into the UK.
- It will apply for up to **12 months**.
- The majority (88%) of imports will be **tariff free**. This will mean lower prices in shops for consumers and the opportunity to source some of the best goods from around the world.

Temporary tariff: Rationale

- a) HM Treasury and the Department for International Trade follow the five principles set out in the Taxation (Cross-border Trade) Act 2018:
 - b) the interests of consumers in the UK;
 - c) the interests of producers in the UK of the goods concerned;
 - d) the desire to maintain and promote the external trade of the UK;
 - e) the desire to maintain and promote productivity in the UK; and
 - f) the extent to which the goods concerned are subject to competition.

Temporary tariff: exceptions announced in March

- Tariffs and quotas on **beef, lamb, pork, poultry and some dairy** to support farmers and producers who have been protected by EU tariffs.
- Tariffs on **finished vehicles** in order to support the automotive sector and in light of broader challenging market conditions.
- Support for UK producers against **unfair global trading practices**, such as dumping and state subsidies (e.g. ceramics).
- Tariffs retained to maintain preferential access to the UK market for **developing countries** on certain goods including bananas and clothing.

Temporary tariff: exceptions announced in October

- Lower tariffs on all **Heavy Goods Vehicles (HGVs)** that had a tariff of 22%, now set at 10%. This reduction strikes a better balance between the needs of British producers and the SMEs that make up the UK haulage industry, ensuring that critical fleet replacement programmes that help to lower carbon emissions can continue.
- Tariffs on **bioethanol** to retain support for UK producers, as the supply of this fuel is important to critical national infrastructure.
- Tariffs on additional clothing products to ensure that preferential access to the UK market is maintained for **developing countries**.

Temporary tariff: how to provide feedback

- **Exceptional Review Procedure:** will enable businesses and consumers to submit evidence through an online feedback form during the first six months of the Temporary Tariff Regime's operation. Further details will be available on GOV.UK soon.
 - Government will consider mitigating actions, including changes to the Temporary Tariff Regime, where there is clear evidence of severe actual or imminent material harm to the UK market, developing country exporters or UK strategic interests.
 - Decisions will be based on evidence submitted and with reference to the criteria set out in the Taxation (Cross-border Trade) Act 2018.
-
- **A full public consultation** on the UK's permanent tariff policy will be launched in January 2020. More details to follow.

Temporary tariff: feedback mechanisms

	Exceptional Review Procedure	Public consultation
Timings	November 2019 to April 2020	January to February 2020
Duration	Six months	Two months
Purpose	Amend Temporary Tariff Regime	Inform permanent tariff policy