
ENTERPRISE PARTNERSHIP

York / North Yorkshire / East Riding

**Business
Inspired
Growth**

EU Referendum

Briefing Note: 15 July 2016

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Section 1: Key Messages

Following the EU Referendum there is a need to provide confidence and certainty to business. Whilst there are still many unanswered questions it is important that when speaking to business there is a clear consistent message from all levels of government.

To achieve consistency and ensure we do not provide conflicting messages, this brief provides some basic lines to take;

- It provides key messages about Britain's economy which are consistent with government lines.
- It outlines why Britain is a great place to do business.
- It provides local messages around opportunities and assets.
- It summarises how we are responding to the outcome of the EU Referendum

Top 5 messages:

“Britain's economy is one of the strongest in the world with low, stable inflation, high employment and a resilient financial system”

“There could be opportunities as more businesses that want to access the UK market seek to locate here”

“The UK remains a great place to do business and is the highest ranked major economy in terms of ease of doing business”

“Our local economy has the largest private sector investment in the Northern Powerhouse, resilient small businesses and an unrivalled quality of life, the number one issue for investors as shown by a recent Ernst and Young survey”

“We expect our EU programme to continue and are offering solutions to government to retain investment in our area. We are working cross sector including with research & agriculture to understand the positive impact of EU funding, and we will be making a strong case to government to maintain the levels of investment”

Britain's economy

"Britain's economy is one of the strongest in the world with low, stable inflation, high employment and a resilient financial system"

1. Britain's economy is one of the strongest major advanced economies in the world, and we are well placed to face the future. The UK remains a great trading nation.
2. We have low, stable inflation. The employment rate remains the highest it has ever been.
3. The budget deficit is down from 11% of national income, forecast to be below 3% this year.
4. The financial system is also substantially more resilient than it was six years ago, with capital requirements for the largest banks now 10 times higher than before the banking crisis.
5. Britain is a truly great country, and it will always be capable of thriving and prospering on the world stage. We want the UK to be the easiest place in the world to trade with, from and to. This has not changed.
6. We will retain economic links with our European neighbours, with our close friends in North America and the Commonwealth, and important partners like China and India and others worldwide.

Britain as a place to do business

"The UK remains a great place to do business and is the highest ranked major economy in terms of ease of doing business"

1. The **UK remains a great place to do business** and is the highest ranked major economy in terms of **ease of doing business**, ranked higher than the USA, France and Germany.
2. The World Economic Forum Competitiveness Report assesses the UK to be in the **top ten for global competitiveness**
3. We are home to **18 of the world's top 100 universities**, and four of the top ten.
4. The **UK's corporation tax rate** of 20 percent is the **lowest in the G7** and joint lowest in the G20 and will fall to 17 percent by 2020.
5. **The Patent Box** gives a ten percent rate of corporation tax on profits that are earned in the UK from patents and other similar types of intellectual property (IP)
6. **There will be no immediate changes in the circumstances of British citizens living in the EU nor for European citizens here**, nor in the way our people can travel, in the way our goods can move or the way our services can be sold.

York, North Yorkshire & East Riding Economy

“Our local economy has the largest private sector investment in Northern Powerhouse, resilient small businesses and a very high quality of life, the number one issue for investors”

1. Our local economy continues to **grow and create jobs**. It has grown by £1.4bn and created almost 22,000 jobs since 2013.
2. We have a €110m EU Programme investing in business growth, innovation and skills. **We still expect our EU programme to go ahead.**
3. We have seen a **71% increase in house building** over the last two years
4. Yorkshire Coast continues to benefit from major investment
 - a. **£1.7 billion York Potash** is largest private sector investment in Northern Powerhouse and services a global market,
 - b. Major skills investments such as **Coventry University Scarborough Campus** and the University Technical College are delivering.
5. Our Agri-Food and Bio-Economy assets **are world class**
 - a. For example, FERA Science operates in 100+ countries and is a globally recognised asset
 - b. Some of our great food companies have EU protected brands (e.g. British Wensleydale Cheese) – the UK government is already working to retain this protection.
6. **City of York has the highest skills level** of any city in the Northern Powerhouse
7. Our **economy is dominated by high quality small and micro businesses** who have proven to be more resilient
8. Two National Parks, Yorkshire Coast and the City of York underpin **our very high quality of life, diversity and culture, the number one issue for investors** according to the Ernst and Young 2016 Attractiveness Survey

According to the EY2016 Attractiveness Survey (published 24 May), the following are identified as being important (**in ranked order**):

1. quality of life, diversity, culture and language
2. education
3. UK's social stability
4. telecommunications infrastructure
5. labour skills
6. stable and transparent political, legal and regulatory environment
7. access to EU markets
8. strength of domestic market
9. transport and logistics infrastructure
10. entrepreneurial culture.

Section 2: Actions Update

Action	Update
Consistent Communications	<ol style="list-style-type: none"> 1. Key messages are included in this brief. 2. The LEP Network CEO's Group are meeting 19th July to develop a consistent approach to engaging government. 3. Northern LEPs are working collectively to create a strong message for the North. A draft letter from Sir Richard Leese is expected.
Local Impact	<ol style="list-style-type: none"> 1. East Riding are leading on collating EU funding attracted into the region. This is complete for East Riding and is being rolled out to York & North Yorks. A summary is being created. 2. Our Universities are pulling together a summary on the impact on HE. This is complex due to: <ol style="list-style-type: none"> a. Significant EU staff and students b. Strong track record with EU funding c. Levels of research funding, which is often collaborative both UK and EU wide. d. Access to wider EU Research Programmes (e.g. Horizon 2020) <p>A summary will be ready by the end of July.</p> 3. The LEP How's Business Growth Hub has developed a 'self-reporting' online system to allow business networks to collect positive and negative impacts across their members. <p>An Update will be created.</p> 4. ICAEW, Chamber & FSB confidence surveys are being collated <p>Annex 1 summarises their findings</p> 5. Local Authorities are nominating a key member of staff to feed in key local intelligence regarding developments and/or local businesses <p>An Update will be created.</p> 6. The LEP Skills team is engaged with all our colleges to understand the impact on FE. <p>An Update will be created.</p>

<p>Keep Momentum</p>	<p>We expect the EU programme to go ahead and projects should continue to progress towards delivery.</p> <p>We are making the case to government that the EU programme in full should be retained, with a commitment to fund via HMG funding as exit from the EU happens prior to the end of the programme. The rationale for this is that the ESIF strategies are aligned with Strategic Economic Plans and will deliver growth, jobs and support to the most deprived area through this period of change. The systems and processes are in place and should be allowed to continue.</p> <p>Additionally, reducing programmes to 2 years would make the majority of revenue programmes unviable because you need to allow ramp up and wind down time at the start and end of each programme.</p> <p>A summary of all projects in the ‘system’ and their current status will be provided by the end of July</p> <p>Updates from DWP, DCLG & DEFRA will be circulated to all partners as received. Currently:</p> <p>‘Partners should continue to develop their projects and whilst government are unable to sign contracts until they have more clarity, we remain in the EU and the EU Structural & Investment Fund remains valid’</p>
<p>Rural & Farming</p>	<p>There is significant concern around the potential impact on agriculture given the Common Agriculture Policy, single farm payments and environmental stewardship payments to name a few.</p> <p>Clearly the impact at the time is unknown, however given farm gate prices for produce, many farmers are already border line viable.</p> <p>There is potential for significant economic and social impact of decisions regarding agriculture.</p> <p>David Smurthwaite at Craven DC is leading on a piece of work to understand the potential impact and to ensure as a region with such a strong agriculture base we engage strongly with proposed solutions to the pending exit from EU. This will include engaging with NFU, CLA and National Parks.</p> <p>An Update will be provided in August.</p>

Opportunities	<p>As the situation evolves we will ensure we work in partnership with government providing solutions and not just demanding answers.</p> <p>Staying alert to opportunities will be crucial over the coming months. Examples could be;</p> <ol style="list-style-type: none">1. Short term – ongoing commitment to the EUSIF Programme through to 2020.2. Longer term – commitment to the activities of business, innovation, skills & social inclusion with LEPS/Combined authorities becoming the accountable body3. Capital Investment – government may wish to increase investment in infrastructure to drive growth. This could see new growth deals. We need to ensure we have clear priorities with investible projects in the pipeline.4. Devolution – It is unclear yet where the new government sits regarding devolution, however linked to the above there could be new devolution opportunities linked to key activity currently funded via EU
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Section 3: Government Update

Headline news

1. George Osborne, Michael Gove, John Whittingdale, Nicky Morgan and Oliver Letwin have been removed from the cabinet.
2. Liz Truss is justice secretary, Justine Greening takes education and Tory leadership contender Andrea Leadsom has been promoted to environment secretary.
3. Boris Johnson became foreign secretary. Philip Hammond was made chancellor.
4. Eurosceptic David Davis (MP for Haltemprice and Howden in our patch overlapping with the Humber LEP), will take charge of negotiating Britain's exit from the European Union, in a newly created post of Brexit secretary.

Important Changes for us

5. **The Department for Business Innovation and Skills has become the Business, Energy and Industrial Strategy (BEIS)** led by Greg Clark (remain) (formerly communities and local government secretary) MP for Tunbridge Wells. The Department for Energy and Climate Change has been scrapped – and its brief folded into BEIS. The Minister for Small Business is still to be confirmed – the incumbent being the Rt Hon Anna Soubry.
6. **Communities and Local Government Secretary** Sajid Javid (remain). MP for Bromsgrove.
7. **Education and Equalities Secretary** Justine Greening (remain). MP for Putney, Roehampton and Southfields. The department for education will take on higher and further education, skills and apprenticeships.
8. **Transport Secretary** Chris Grayling (leave). MP for Epsom and Ewell.
9. **Secretary of State for Environment and Rural Affairs** - Andrea Leadsom (leave). MP for South Northamptonshire
10. **Secretary of State for Exiting the EU** David Davis (leave) MP for Haltemprice and Howden – in the East Riding.

Theresa May's cabinet

EU referendum vote

▲ Remain

▲ Leave



Theresa May
Prime Minister



Philip Hammond
Chancellor



Boris Johnson
Foreign Secretary



Amber Rudd
Home Secretary



David Davis
'Brexit' Secretary



Michael Fallon
Defence Secretary



Liam Fox
International Trade



Liz Truss
Justice Secretary



Baroness Evans
Leader of Lords



Jeremy Hunt
Health Secretary



Justine Greening
Education Secretary



Chris Grayling
Transport Secretary



Karen Bradley
Culture Secretary



Andrea Leadsom
Environment Secretary



Damian Green
Work and Pensions Secretary



Sajid Javid
Communities and Local Gov



James Brokenshire
Northern Ireland Secretary



Alun Cairns
Welsh Secretary



David Mundell
Scottish Secretary



Patrick McLoughlin
Party Chairman



David Lidington
Leader of Commons



Greg Clark
Business, Energy & Industrial Strategy



Priti Patel
International Development

Annex 1:

Summary of Business Sentiment:

Sources are ICAEW, IOD, British Chambers of Commerce, FSB

- **Business confidence has dropped**
- **International and domestic growth has slowed**
- **Too early to say for certain what Brexit impacts will be**
- **Business wants to see stability from the government**
- **Business needs key infrastructure plans to continue to take place**
- **Business is less likely to invest in staff training or recruitment**
- **SMEs and Large businesses are just as likely to have direct and indirect links to EU**
- **Businesses need to look at their supply chains and identify vulnerabilities**
- **Business wants export support**

Government priorities around:

The chair of the ICAEW met with Sajid Javid (then secretary of state for business) and Baroness Rolfe to discuss post-Brexit implications. The government was eager to hear ideas around:

- How to make it easier to set up a business
- How to improve international trade.
- Innovative ways of doing business.

Confidence has dropped, but no immediate risk

There's been a massive drop in business confidence across the country, however Yorkshire has seen one of the smallest drops. The reason for that, is that most of our businesses aren't reliant upon the global economy. Unfortunately, those businesses that are reliant on the global economy are most likely to be the manufacturing and agricultural ones that we were relying on to grow. However, just because their confidence has dropped it does not mean that their businesses are at risk. Global businesses are likely to be more resilient and although the value of the pound has dropped, there have been no changes to trade agreements now and there are unlikely to be any changes for the next two years. Right now, these businesses need to be able to look at their supply chains and identify where they are vulnerable to unforeseen costs.

Businesses less likely to invest

Prior to Brexit, the combination of auto-enrolment and the increase to minimum wage has caused businesses to look at cutting staff numbers, cancelling recruitment plans, cutting wages and cutting staff development. This lack of confidence has been exacerbated further by Brexit as businesses become increasingly wary of investing in their business.

Long term implications

It could take up to seven years to negotiate a trade agreement with the EU and we will also need to negotiate new trade agreements with nations whom we previously had a relationship with through the EU. As a result, businesses need to be prepared for disruption in demand for services and good, as well as increased costs and administrative burdens to overcome when exporting. However, for the time being, regulation is unlikely to change and businesses will have time to plan their strategies.

Immigration fears

Businesses are afraid that exiting the EU might put their workforces at risk if current EU migrants' rights are not protected. There are also fears that in restricting immigration, we might also restrict innovation and entrepreneurial desire. However, for the moment, it seems unlikely that changes will be made to the rights of EU migrants and it seems unlikely that we shall lose freedom of movement.