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FOR PEOPLE**

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Taking the region's Brexit temperature

In what is potentially the most uncertain time for UK businesses in decades, it's difficult to put pen to paper on an issue that's as fluid as the Brexit negotiations. So we're listening to what our clients are saying, listening to industry leaders and engaging in conversation so that we can bring you business insight and expert opinion on the issues around Brexit that matter most.

Richard Butler, regional director of the CBI, has given us his predictions for the outcome of the deal that was put on the table in late November. Richard said: "No-one in the EU wants a no-deal Brexit – that is the least favoured option. We have had some success in getting Government to take on board the business issues. They have acknowledged the need for frictionless trade, but we have not made as much progress as we would like on migration issues."

Richard tells us that many businesses are making contingency plans – Mini will stop production for a month in April 2019, bringing forward their summer shut-down, with concerns for many firms over supplies of components and materials. He said: "No company wants to be the one to stop Jaguar Land Rover's production line – one major distribution company has even bought its own North Sea ferry so that it can continue to bring its lorries in and out of the UK from different ports."

Nicolas Groffman, partner and head of the international team at HCR, echoes Richard: "Despite the uncertainty, British business is responding to Brexit." He continued: "Our export of goods and services to the rest of the world outstrip our exports to the EU, which have been falling from 55% in 2006 to 43% in 2016." Indeed the pull of larger markets holds sway. In HCR's recent Brexit Barometer 37% of survey respondents say they find large non-EU markets attractive.

Nicolas said that the British are more negative about their own economy than people from other countries are, with Brexit encouraging non-EU countries to invest in the UK because they see it as a level playing field. He stressed that the EU accounts for 8% of the world's population and 1.5% of its GDP, and both figures are shrinking each year.

Ian Mean, board member for GFirst LEP said: "I think it will be at least another year of negotiations on the real nitty-gritty of the deal before we can see our position clearly."

You can stay up to date with what other business leaders are thinking by signing up for insight and updates from the HCR Brexit Barometer at www.hcrlaw.com/brexit

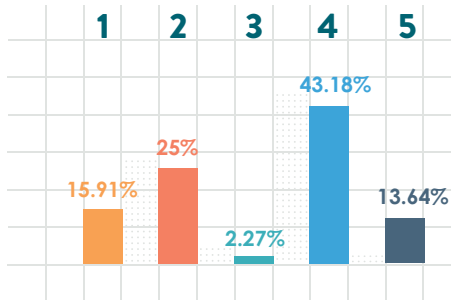


Regional business leaders came together to discuss their plans and concerns at our recent Brexit Conference

BREXIT

BAROMETER

What do you think the most optimal arrangement would be for the UK economy?



- 1 Stay in the European Economic Area and accept EU immigration without restriction (like Norway)
- 2 Enter free trade agreements with other countries (US, Australia, China, India, etc)
- 3 Join the European Customs Union (like Turkey)
- 4 Stay in the EU
- 5 Other (please specify)

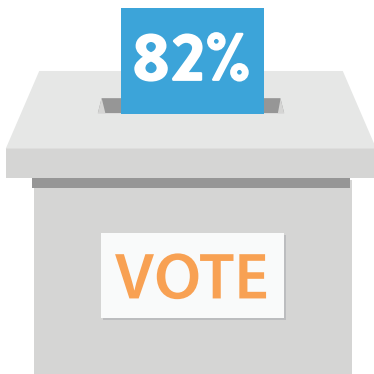


Business confidence is on the rise. Nearly

30%

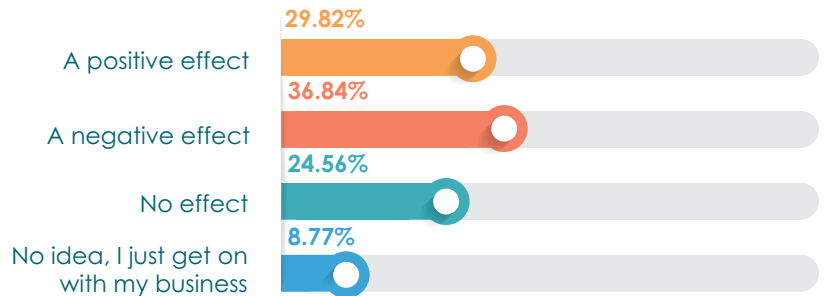
are more confident in their business success post-Brexit, compared to 15% this time last year.

more people are stating that Brexit is having a positive effect on their business, than this time last year.



said that if there was another 'In/Out' referendum today, they would vote the same way they did in 2016.

One year on from Brexit, what effect has this political event had on your business?



Over half said that introductions to key people would increase the likelihood of them investing in overseas markets

55%

Have considered markets outside the EU

32.1%

Find large non-EU markets attractive

37%



Be Brexit-ready with our top tips

Nicolas Groffman, partner and head of the international team at HCR shares his top tips for all businesses:

- Keep a close eye on intellectual property (IP) protections - patents, trademarks, registered design rights and copyright could all change after Brexit so audit your IP protection now and double check after Brexit
- Customs declarations are likely to be more onerous post-Brexit if the UK leaves the single market, so update your business operation software to prepare for this extra burden – HMRC estimates the number of customs declarations will rise from 55m to 255m annually.

And for businesses looking to trade beyond the EU:

- Obtain Authorised Economic Operator status, which is time-consuming to achieve but speeds up customs clearance
- Make a 'plan B' - consider warehousing or alternative transport methods to deal with border delays
- Ensure you have appropriate cash flow for VAT and additional inventory
- Check international contracts - make sure they are strong enough in the territories you want to operate in
- Review your supply chains - can your suppliers meet their contracts with you or do you need to look for new suppliers?

Talk to Nicolas

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Brexit sector insight

Robert Capper, partner and head of sectors has been speaking to business leaders from key industries who have shared their views on the challenges and opportunities presented by Brexit. Let us know what you think [🐦 @hcrlaw](#)

Financial services

Financial services clients are telling us that Brexit is not just affecting our relations with the EU, but having an impact on financial relationships worldwide. Indeed Jo Bennett-Coles, managing director FGI Worldwide in UK and Europe says: "Many businesses are experiencing difficulties finding and retaining lending with their traditional domestic lender who would have originally provided them with some cross-border capabilities and now that's becoming more difficult." Whatever the deal is by March, lenders are likely to have more hoops to jump through, but there is still investment going on and many financial services firms are readying themselves for Brexit with specialist teams looking at the issues and opportunities.

Professional services

Planning ahead, especially in regard to a business' workforce, is vital for the future of professional services. Some of our clients tell us they believe that using apprenticeships is one way to achieve this, enabling skills levels to be increased so that the UK labour market is less dependent on EU workers. This is a view shared by Gary Woodman, CEO of the Worcestershire LEP who said: "I think businesses really need to think about their workforce and their skills in terms of how they train their staff and what that looks like beyond the impact of Brexit. Therefore searching and retaining talent is going to be one of the big issues in 2019."

Advanced manufacturing

Advanced manufacturing businesses are taking practical action to prepare for Brexit and leaders are reporting that the increased scrutiny is helpful to the business generally, but feared that the impact which had already been felt would simply increase. Concerns are being expressed about both the availability of supplies and possible delays to them entering the UK; employment and fears about higher costs and skills shortages. Laura Surrige, group purchasing director, confirms that supply chain is an area of concern for her business, WHS Plastics: "Currently 90% of our business is in the UK but our supply chain is global. We're looking to expand within Europe and America so we will need to understand the impact of Brexit and determine how we can work with these other countries and expand within them."

Health and social care

According to business representatives, the health and social care sector seems to be 'sleepwalking' into a staffing disaster. Steve Mills, consultant to adult social care providers tells us: "The interruption to migrant labour associated with Brexit and the fact that the UK is now seen as a less attractive place for people from Europe to come and work in social care presents a lot of risk and uncertainty for providers who will find it increasingly difficult to find the people they need to run their services sustainably."

Education

Leaders from education institutions and bodies are voicing a wide range of concerns, including over the funding of apprenticeships. Tony Green, director, Heart of Worcestershire College said: "The unrelenting focus on Brexit has meant the UK government is ignoring other issues such as skills, apprenticeships and upskilling the workforce and while Brexit won't necessarily affect the apprenticeship model it will affect the number of people going into apprenticeships, what happens to them afterwards and the rules and regulations around delivery. This is a challenge for colleges up and down the country."

Construction and engineering

Development is continuing, and sector leaders express the view that, with a deal in place, the UK would actually be more stable than many other EU countries which are currently in turmoil. They are keen to see technology playing a greater part in the industry - robotic plasterers and all kinds of 3-D scanning products are now available, and they feel that the potential is considerable for even more innovative processes and products. This, along with off-site manufacturing, would help to streamline processes further. That streamlining might be essential as the supply of EU workers reduces – the Government's ambitious social housing plans need a workforce to deliver them. The quality of training and experience is essential.

Agriculture and rural affairs

Agricultural businesses are meeting the challenges of Brexit in different ways - diversifying to spread risk, investing in technology, increasing herd/flock size or exploring other economies of scale, though concerns are being expressed that the investment required will simply not be an option for all. Frank Myers, chair of Herefordshire's Business Board believes the problem is more people-based: "There are many large agricultural businesses within Herefordshire and I see serious labour challenges for them. We have rehearsed the labour argument many times and always arrive at the same conclusion - it just simply isn't going to be possible to fulfil the workforce needs of the sector from UK labour. The need to import labour is a serious problem."





Sector leaders express concern over Brexit workforce disruption

As we heard at our regional conference, the Brexit negotiations will undoubtedly affect industry sectors in different ways with supply chain being a key consideration for manufacturers, and increased use of technology an attractive option within construction. But the one constant cause for concern amongst all the sector leaders we've been speaking with is that of their people. How to manage the disruption of Brexit to the workforce cuts across all businesses of all sizes in all sectors within the UK, and is an issue that will remain at the forefront of our minds long after a deal is in motion.

But it doesn't have to be all doom and gloom.

Fears over labour shortages focus only on the fact that fewer EU workers will have access to jobs in the UK, but this view doesn't acknowledge that the UK would be seen as more open to workers from non-EU countries. For many businesses, this is a very attractive proposition.

It is likely that the transition period will give businesses time to adjust to the loss of access to the EU pool of workers and decide on a way forward that works for them. Businesses could also consider how to make themselves more attractive to the UK workforce.

Most firms want to make sure that their most business-critical roles are covered – if they employ EU citizens in those roles now, there is plenty they can do to keep those people in post. From a legal perspective this includes assisting them with securing permanent residency, and on a simpler level, ensuring they feel welcome and valued will benefit the business on many levels.

Now that settled status is likely to be the way ahead, people have relaxed a bit – if employees who are EU citizens have lived here continuously for five years before the transition period ends, they are eligible for settled status and can stay indefinitely. If they have lived here continuously for less than 5 years by 31 December 2020, they will be eligible for pre-settled status enabling them to stay for five years to then secure settled status. In addition there is also likely to be a seasonal workers visa, which will help agri-businesses in particular.

Whatever the current concerns, our takeaway is that businesses from all sectors will have more flexibility in regards to finding and recruiting their people, but they will need to plan ahead and see the changes as an opportunity to reassess what, and who, they need.



“We need to redouble our exporting efforts especially if we can now sell anywhere. What concerns me is the paperwork and how that will increase – I sold £1,400 of goods to Switzerland which they certified as being of EU preferential origin. I then had someone from HMRC come to my office for four hours to check that this was correct; I am concerned about whether this kind of bureaucracy will get worse.”

Frank Myers, chair of Herefordshire's Business Board, and owner of Myers Road Safety and MCP speaking at HCR's recent Brexit Conference.

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