



The Business Services Association
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BSA Brexit Briefing

Friday 13th December 2019

Foreword

Members are advised that this briefing is intended as an overview document and will focus on those areas deemed most relevant to the business services sector. Links to government advice can be found in the 'Resources' section below.

The Cabinet Office has agreed to establish a direct line of contact for members to discuss any issues in delivering projects and services post-Brexit, as have NHS England and DWP. Please [contact](#) the BSA for further details.

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The BSA - Business Services Association is the industry body for those delivering service and infrastructure projects across the private and public sectors. The business services sector employs over 10% of the workforce and contributes 9.3% of all economic output, supporting every region and community as a driver of economic growth and productivity. 70% of such services are delivered business-to-business.

Our industry has a crucial role to play in ensuring the UK maintains its status as a world-leading economy and place to do business.

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Summary

Following the election of the Conservative Party with a parliamentary majority, attention will now return to the approaching Brexit deadline and what this means for the business services sector. The [Withdrawal Agreement Bill](#) is expected to be reintroduced after the Queen's Speech on Thursday 19 December, with MPs expected to vote on it shortly thereafter. Once the Bill becomes an Act of Parliament the 'first phase' of the Brexit negotiations - negotiating the Withdrawal Agreement - will have concluded and we will enter into the 'second phase' - negotiating the Future Relationship.

This briefing note considers what the next steps of the Brexit process will look like, based on the information currently available, and looks at how the Withdrawal Agreement will affect BSA members. This briefing will look at the impact on:

- Skills and Migration
- Workers' Rights & Level Playing Field Considerations (including State Aid)
- MRPQ
- Procurement
- Technology and Data Sharing
- Financial Provisions including projects funded from the current EU budget

The Implementation Period

Immediately following the UK's formal exit from the European Union with the ratification of the Withdrawal Agreement, we will enter what has been termed the 'implementation period' (IP). This will last until 31 December 2020 ('IP completion day'). There is the option in clause 30 of the Agreement for this period to be extended provided both the UK & EU confirm this and it is agreed in the House of Commons. This, however, has been ruled out in the Conservative manifesto.¹

As it stands, the decision to extend must take place before 1 July 2020 to extend the transition once for up to two years.

During the IP, common rules will remain in place, with EU law continuing to apply to the UK under the terms set out in the Withdrawal Agreement. This means that new pieces of directly applicable EU law that are introduced during the IP will continue to apply automatically within the UK, in line with Part 4 of the Withdrawal Agreement. Other new EU measures which are introduced will need to continue to be implemented domestically to comply with Part 4.²

The next stage of the EU Exit negotiations will involve more technical discussions. The government will be looking to businesses for their expertise and support during this period and the BSA will be engaging with officials to ensure that the interests of our sector are represented during these negotiations.

¹ Conservative Party Manifesto (2019), *Get Brexit Done*: https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf?dm_i=2OYA,YX3C,75C4X5,300YN,1

² gov.uk (2019), EUROPEAN UNION (WITHDRAWAL AGREEMENT) BILL - Explanatory Notes: <https://publications.parliament.uk/pa/bills/cbill/2019-2019/0007/en3/20007en05.htm>



Economic Overview

The BSA has supported the steps taken by the government to avoid a ‘no deal’ exit during the first phase of the Brexit negotiations. The EU is the UK’s largest trading partner, with UK imports from the EU totalling £357 billion in 2018 (53% of all UK imports).³ Services accounted for 41% of the UK’s exports to the EU in 2018 and financial services and other business services made up just over half of UK service exports to the EU (see Tables 1 & 2 below).

Skills and Migration

Under the terms of the Withdrawal Agreement, free movement will continue until the end of the IP; enabling EU and UK nationals to move between the UK and EU Member States as is currently permitted by EU law. EU citizens living in their host state before the end of transition will have permanent residence rights under the withdrawal agreement, subject to certain requirements. The UK and the EU 27 have discretion under the agreement to require EU or UK nationals to apply for a new residency status.⁴

The Conservative Party manifesto contained a commitment to introducing an Australian-style points based immigration system. The new system will prioritise those with a ‘good grasp’ of English, those without criminal records in their country of origin, and those with recognised qualifications. The stated intention is that there will be ‘fewer lower-skilled migrants and overall numbers will come down’.⁵ There will be three categories of visas under the new system:

1. Those with ‘exceptional talent’ - no requirement for a job offer
2. Skilled workers - job offered required
3. Unskilled Workers - eligible for short-term visas in sectors where there are shortages

The independent Migration Advisory Committee will be given further powers to set the visa quotas for certain sectors whilst an implementation group will be established to deliver the new system immediately after the planned end of the IP. This will be followed by a new ‘digital immigration status’ planned for 2022 although we await further details as to what this will entail.⁶

The manifesto also confirmed that there will be no distinction between EU and non-EU citizens and as below shows, whilst net EU migration has fallen dramatically since peak levels in 2015/2016 this has been largely offset by non-EU immigration thus far (see Figure 1 below). The BSA will continue to engage with government officials to ensure that our sector retains access to the workers it requires.

³ HoC Library Briefing (2019), *Statistics on UK-EU trade*:

<https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7851>

⁴ HoC Library Briefing (2019), *The October 2019 EU-UK Withdrawal Agreement*:

<https://researchbriefings.files.parliament.uk/documents/CBP-8713/CBP-8713.pdf>

⁵ Conservative Party Manifesto (2019), *Get Brexit Done*: https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf?dm_i=20YA,YX3C,75C4X5,300YN,1

⁶ BBC (2019), ‘It’s Inexcusable we don’t know who we can hire’: <https://www.bbc.co.uk/news/business-50712497>



Workers' Rights & Level Playing Field Considerations (including State Aid)

In addition to removing references to close trading relationships, the changes made to the Political Declaration broadly revolved around level playing field considerations including state aid.⁷

The level playing field Annex 4 of the previous Protocol has now been removed. It contained references to EU laws and international conventions that would apply to the whole of the UK in what were called 'level playing field' commitments. These were intended to limit the UK's capacity to gain what the EU saw as an unfair advantage by lowering standards in areas including workers' rights.⁸

The level playing field provisions were in the areas of taxation, environmental protection, labour standards, state aid and competition. These have now been replaced by commitments in the Political Declaration to uphold such principles in any future trade agreement between the EU and the UK. In particular, this states that both parties should maintain a robust and comprehensive framework for competition and state aid control that prevents undue distortion of trade and competition; commit to the principles of good governance in the area of taxation and to the curbing of harmful tax practices; and maintain environmental, social and employment standards at the current high levels provided by the existing common standards.⁹

MRPQ

Mutual recognition of professional qualifications (MRPQ) is a key issue for many in the services sector as they reflect the extent to which member states are obliged to recognise UK professional qualifications (and vice versa). Individuals will need to have their professional qualification officially recognised if they want to work in a profession officially recognised in the EEA or Switzerland. The government advice states that if the qualification has already been officially recognised in an EEA country or Switzerland then there is no further action required and the recognition will remain valid after the UK leaves the EU.¹⁰ It is recommended that this guidance is regularly consulted and a link is included in the 'Resources' section below. Separate guidance is available for those working in audit and in the legal profession (also included in the 'Resources' section).

⁷ gov.uk (2019), *Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom*:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840656/Political_Declaration_setting_out_the_framework_for_the_future_relationship_between_the_European_Union_and_the_United_Kingdom.pdf

⁸ HoC Library Briefing (2019), *The October 2019 EU-UK Withdrawal Agreement*:

<https://researchbriefings.files.parliament.uk/documents/CBP-8713/CBP-8713.pdf>

⁹ gov.uk (2019), *Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom*:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840656/Political_Declaration_setting_out_the_framework_for_the_future_relationship_between_the_European_Union_and_the_United_Kingdom.pdf

¹⁰ gov.uk (2019), *Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein after Brexit*

<https://www.gov.uk/guidance/providing-services-to-any-country-in-the-eu-iceland-liechtenstein-norway-or-switzerland-after-eu-exit#history>



Procurement

UK regulations on procurement (which implement EU directives) will continue to apply after the Withdrawal Agreement is ratified (incidentally, this would also be true if we were to leave with no deal). These could be changed later though via UK legislation potentially presenting the opportunity to design a new regulatory framework for public procurement (including increased flexibility and greater simplifications).¹¹

The Government has taken steps to maintain the UK's membership of the WTO Agreement on Government Procurement (GPA). This involves an ongoing commitment for the UK to open up certain higher value public procurement opportunities to other countries, in exchange for their public procurement markets being opened up in a similar way. The Political Declaration also states that the both the UK and EU should provide for mutual opportunities in the Parties' respective public procurement markets beyond their commitments under the GPA in areas of mutual interest, without prejudice to their domestic rules to protect their essential security interests.¹²

As with other areas, this is likely to be discussed as part of a UK-EU future trading relationship and the BSA will continue to update members as talks progress further.

Technology and Data Sharing

Businesses should be aware there they may need to make changes if they operate across the EEA or exchange personal data with partners in the EEA. If, however, the business only sends personal data from the UK to the EEA (or any of the 13 countries the EU has deemed 'adequate') then it does not need to take any action.¹³ It is recommended that businesses consult the government's guidance on using personal data after Brexit and review privacy information and internal documentation to identify any details that will need update once the UK leaves the EU.¹⁴

Businesses may also need to deal with a lead supervisory authority in the EEA after Brexit. A gov.uk tool allowing you to check which European data protection regulator will be the lead supervisory authority in each country is available [here](#).

¹¹ HoC briefing (2019), *Brexit: public procurement*:

<https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8390>

¹² gov.uk (2019), *Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom*:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840656/Political_Declaration_setting_out_the_framework_for_the_future_relationship_between_the_European_Union_and_the_United_Kingdom.pdf

¹³ gov.uk (2019), *Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein after Brexit* <https://www.gov.uk/guidance/providing-services-to-any-country-in-the-eu-iceland-liechtenstein-norway-or-switzerland-after-eu-exit#history>

¹⁴ gov.uk (2019), *Using personal data in your business or organisation and Brexit*:

<https://www.gov.uk/guidance/using-personal-data-after-brexit#what-we-mean-by-receiving-personal-data>



Financial Provisions including projects funded from the current EU budget

The Withdrawal Agreement also outlines the financial settlement covering the payments the UK has committed to making to the EU, and those that the UK will receive from the EU.¹⁵ The amount will be determined by an agreed methodology that honours all joint commitments from the EU budget (2014-2020), including outstanding commitments at the end of 2020. The European Commission has stated that under the Agreement ‘all projects and programmes funded from the current EU budget and involving UK partners will continue to be financed until they’re completed’.¹⁶

The Conservative manifesto contained a commitment that the UK Shared Prosperity Fund, which will replace the EU Structural Funds, will ‘at a minimum match the size of those funds in each nation’.¹⁷

¹⁵ gov.uk (2019), *EUROPEAN UNION (WITHDRAWAL AGREEMENT) BILL - Explanatory Notes*: <https://publications.parliament.uk/pa/bills/cbill/2019-2019/0007/en3/20007en13.htm>

¹⁶ European Commission (2019), *Brexit and Ireland*: https://ec.europa.eu/ireland/news/key-eu-policy-areas/brexit_en

¹⁷ Conservative Party Manifesto (2019), *Get Brexit Done*: https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf?dm_i=2OYA,YX3C,75C4X5,300YN,1



Key Dates

The following dates are based on the latest information available and may be subject to change. An overview of the events leading up to this can be found [here](#).¹⁸

- **12th - 13th December 2019** - European Council meeting.
- **13th December 2019** - General Election result announced.
- **19th December 2019** - Provisional Date for a Queen's Speech.
- **31st January 2020** - Potential 'Brexit Day'. In October the Prime Minister and the EU agreed a further Brexit extension to this date, while providing the option for the UK to leave earlier if a deal is ratified. This would begin the Implementation Period.
- **February 2020** - A special summit of the EU27 is expected soon after the UK formally leaves the EU. Following Brexit, trade and future relations talks will begin between the UK and EU.
- **1st July 2020** - The Withdrawal Agreement contains an option for the UK and EU to agree, by July, to extend the transition once for up to two years.¹⁹
- **October 2020** - Legal texts likely to be required by late October to allow proper plenary time for the ratification of any new FTA.
- **31st December 2020** - 'IP completion day'. If the UK has ratified the Withdrawal Agreement, this is when the transition period ends (unless it is extended past 2020, although this was ruled out in the Conservative manifesto).
- **1st January 2021** - Agreement on future relations expected to enter into force unless the transition period is extended or, should there be no agreement and no extension, the UK exits with no deal. In this scenario, trade between the UK and EU would fall back to World Trade Organisation (WTO) rules.

¹⁸ [Unless specified otherwise, all dates below are taken from] House of Commons Library, *Brexit timeline: events leading to the UK's exit from the European Union*:

<https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf>

¹⁹ gov.uk (2018), *25 November Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, 2018*:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759019/25_November_Agreement_on_the_withdrawal_of_the_United_Kingdom_of_Great_Britain_and_Northern_Ireland_from_the_European_Union_and_the_European_Atomic_Energy_Community.pdf#page=208



Appendix 1.

Table 1 - UK service exports to the EU (2018)

Service area	2018 Exports (£ million)	Percent of total
Manufacturing on physical inputs owned by others	2,015	0.68%
Maintenance and repair	2,941	0.99%
Transport	29,479	9.91%
Travel	36,431	12.25%
Construction	2,144	0.72%
Insurance and pension services	19,624	6.60%
Financial	62,548	21.03%
Intellectual property	16,288	5.48%
Telecommunication, computer and information services	22,244	7.48%
Other business	95,556	32.13%
Personal, cultural and recreational services	5,296	1.78%
Government	2,853	0.96%
Total	297,419	100.00%

(Source: ONS Pink Book 2019)

Table 2 - UK service imports from the EU (2018)

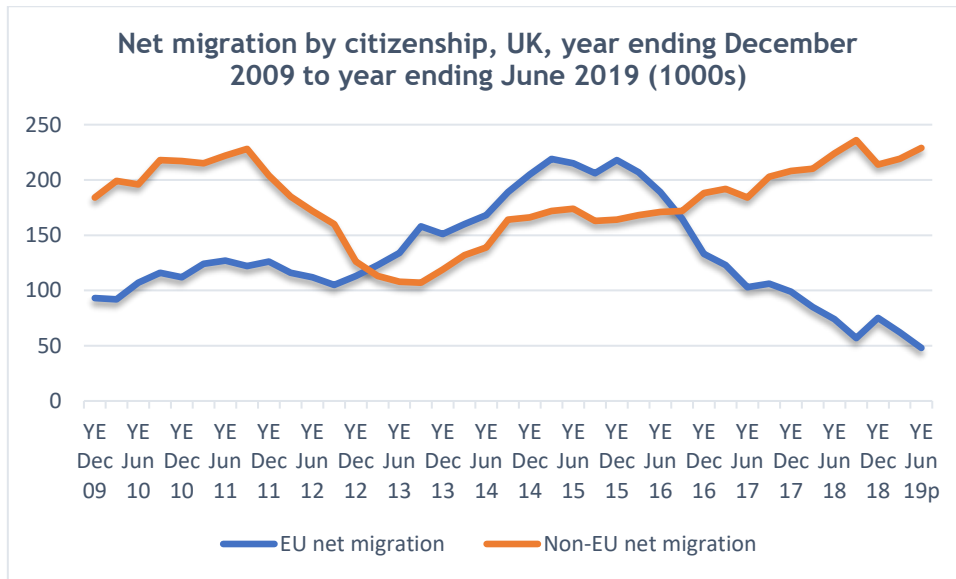
Service area	2018 Exports (£ million)	Percent of total
Manufacturing on physical inputs owned by others	543	0.28%
Maintenance and repair	984	0.51%
Transport	25732	13.35%
Travel	51742	26.84%
Construction	2124	1.10%
Insurance and pension services	2181	1.13%
Financial	16835	8.73%
Intellectual property	10161	5.27%
Telecommunication, computer and information services	11998	6.22%
Other business	62527	32.44%
Personal, cultural and recreational services	4260	2.21%
Government	3682	1.91%
Total	192769	100.00%

(Source: ONS Pink Book 2019)



Appendix 2.

Figure 1 - Net migration by citizenship, UK, YE 2009 to YE June 2019



(Source: Office for National Statistics - Long-Term International Migration (LTIM), LTIM with preliminary adjustments based on Department for Work and Pensions and Home Office data)



Resources

The following may be of interest to members seeking further information on the next stage of the Brexit process. This is by no means an exhaustive list.

Government advice

- [Brexit advice homepage](#)
- [Applying to EU Settled Status Scheme](#)
- [Selling services to the EU, Switzerland, Norway, Iceland and Liechtenstein after Brexit](#)
- [Auditing for UK auditors and audit firms operating in the EEA after Brexit](#)
- [UK lawyers practising in the EU, Norway, Iceland or Liechtenstein after a no-deal Brexit](#)
- [Using personal data in your business or organisation and Brexit](#)

House of Commons Library briefings

- [Brexit and state pensions](#)
- [Brexit debates 2019](#)
- [Brexit questions in national and EU courts](#)
- [Brexit statements](#)
- [Brexit timeline: events leading to the UK's exit from the European Union](#)
- [Brexit: devolved legislature business](#)
- [Brexit: public procurement](#)
- [Brexit: Trade issues for food and agriculture](#)
- [Parliament and the three extensions of Article 50](#)
- [Planning for a no-deal Brexit](#)
- [Revisions to the Political Declaration on the framework for future EU-UK relations](#)
- [Statistics on UK-EU trade](#)
- [Trade in services and Brexit](#)
- [Withdrawal Agreement Bill: The Protocol on Ireland/Northern Ireland](#)

Legislation

- [European Union \(Withdrawal Agreement\) Bill \(HC Bill 7\)](#)
- [\[Explanatory notes\]](#)
- [Political Declaration setting out the framework for the future relationship between the European Union and the United Kingdom](#)
- [Declaration on consent in Northern Ireland](#)

ONS

- [Office for National Statistics - Pink Book 2019](#)
- [Office for National Statistics - Migration Statistics Quarterly Report: November 2019](#)