

Public Document Pack



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5 November 2018

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **SCRUTINY (POLICY AND PERFORMANCE) COMMITTEE** will be held in the HMS Brave Room at these Offices on Tuesday 13 November 2018 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Rebecca Brough on (01304) 872304 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nicky", written over a white background.

Chief Executive

Scrutiny (Policy and Performance) Committee Membership:

K Mills (Chairman)
M I Cosin (Vice-Chairman)
T A Bond
P I Carter
J M Heron
P D Jull
S C Manion
M J Ovenden
M Rose
D A Sargent

AGENDA

1 **APOLOGIES**

To receive any apologies for absence.

2 **APPOINTMENT OF SUBSTITUTE MEMBERS**

To note appointments of Substitute Members.

3 **DECLARATIONS OF INTEREST** (Page 3)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **POTENTIAL IMPACT OF BRITAIN LEAVING THE EUROPEAN UNION ON THE DOVER DISTRICT** (Pages 4 - 116)

To consider the attached report of the Leadership Support Team.

Access to Meetings and Information

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website www.dover.gov.uk. Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Rebecca Brough, Democratic Services Manager, telephone: (01304) 872304 or email: democraticservices@dover.gov.uk for details.

Large print copies of this agenda can be supplied on request.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.



The Potential Impact of Britain leaving the European Union (EU) on the Dover District

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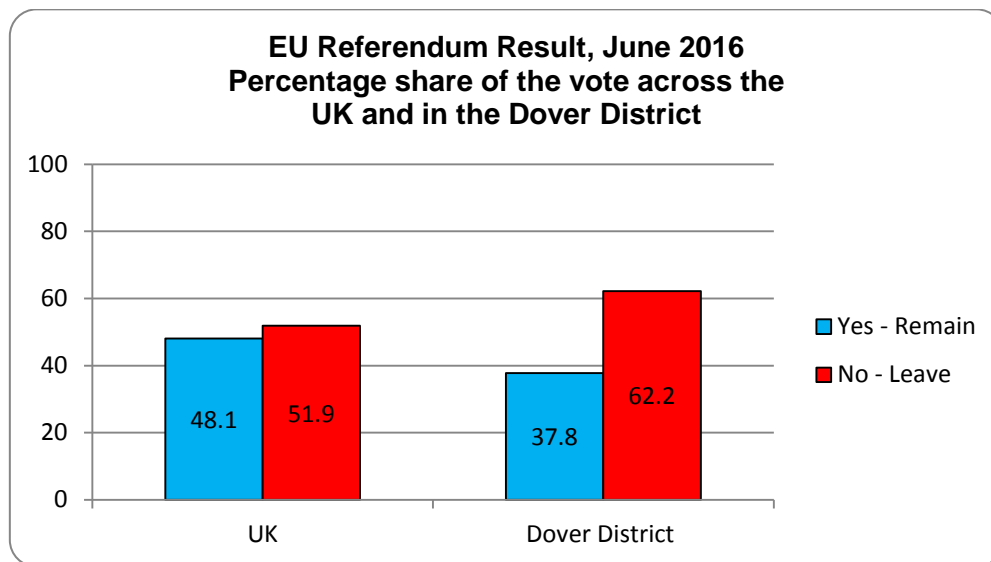
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This paper looks at the possible impact of a British withdrawal from the European Union (EU) – or Brexit - to services that we deliver and the wider Dover district. There are still many uncertainties but Brexit will have a significant impact on local government, creating opportunities to do things differently, but also challenges that will need to be addressed.

There is a considerable amount of information and analysis available on the Parliament website and other sources on the impact of Brexit. This paper attempts to draw this information together on a local level.

1. Background

- 1.1 On 23 June 2016, the United Kingdom (UK) voted on the question: "Should the United Kingdom remain a member of the European Union or leave the European Union?" The result of the referendum was that 17.4 million people (51.9% of the total) voted to leave the EU, and 16.1 million (48.1%) voted to remain. In the Dover district 62.2% voted to leave and 37.8% to remain in the EU.



Source: The Electoral Commission¹

- 1.2 Under Article 50 of the Treaty on European Union, any State withdrawing from the EU must formally notify the European Council of its intention. The UK triggered Article 50 on 29th March 2017, meaning that the UK will currently leave the EU no later than April 2019.
- 1.3 Article 50 also provides for a two-year period following notification, within which the two sides are to reach agreement on the withdrawal arrangements, while taking account of the framework for their future relationship. This two-year period can be extended by mutual consent. The UK can leave without an agreement but all parties have said that they would like to see an 'orderly withdrawal'.
- 1.4 A 'soft' or 'hard' Brexit refers to the closeness of the UK's relationship with the EU post-Brexit. There is no strict definition of either. A "hard" Brexit could involve the UK refusing to compromise on issues like the free movement of people even if it meant leaving the single market or having to give up securing a free trade deal. At the other end of the scale, a "soft" Brexit might follow a similar path to Norway, which is a member of the single market and has to accept the free movement of people as a result of that.

¹ Electoral Commission. Online at <https://www.electoralcommission.org.uk/find-information-by-subject/elections-and-referendums/past-elections-and-referendums/eu-referendum/electorate-and-count-information>

1.5 Key developments in the negotiation process:

- 1.5.1 The unveiling of eight ‘Brexit Bills’ including EU (Withdrawal); Customs; Trade; Immigration; Fisheries; and Agriculture Bills². These have been followed by a series of policy papers, including:
- A White Paper on the EU (Withdrawal) Bill³ which outlined plans to transfer EU legislation into the UK statute, subject to review by Ministers using ‘Henry VIII powers’ to amend secondary legislation without an Act of Parliament.
 - White Papers on the Trade & Customs Bills⁴ outlining the potential contingency arrangements in the event of no deal, and the announcement of £3bn, in the Autumn Budget, for Brexit contingency planning⁵. We are unaware how the government will be allocating this funding. Given the urgent need for infrastructure in the district and county to enable a smooth transition, we need to seek clarification around this.
 - A series of position and future partnership papers on a range of issues including EU & UK citizens’ rights, foreign policy, defence and development and collaboration on science and innovation⁶.
 - The announcement of a consultation on the UK Shared Prosperity Fund (UKSPF), the proposed domestic successor to the European Structural and Infrastructure Funds⁷.
- 1.5.2 The European Council⁸ adopted guidelines for phase two of the Brexit negotiations in December 2017 and new negotiating directives in January 2018. Phase two - on a transition / implementation period, which will start the day after the UK leave the EU and end in December 2020, started in February 2018. During the transition period, the UK will not be a Member State but will continue to apply EU law.
- 1.5.3 New guidelines were adopted in March 2018 on the framework for the UK’s future relations with the EU. These are intended to be adopted as a ‘political declaration’ attached to the Withdrawal Agreement. Detailed provisions on the future EU-UK relationship will be set out in a separate agreement (or agreements) which will take effect after the UK has left the EU⁹.
- 1.5.4 The UK-EU negotiations are continuing ahead of the EU leaders’ summit in June. The talks are focusing on three key topics:
- Outstanding aspects of the withdrawal agreement
 - The Irish/Northern Irish border and
 - UK-EU relations (including trade) post-Brexit.
- 1.5.5 Reports in April suggest that the UK is continuing to advance its “*customs partnership*” proposal to support a frictionless border, whilst the EU sees this proposal as unrealistic.
- 1.5.6 David Davis has advised Parliament that MPs will receive details of the Withdrawal Agreement and have an opportunity to table amendments in advance of a “meaningful parliamentary vote”. By October, there would not be a legal text but there would be a

² Bills before Parliament 2017-19. Online at: <https://services.parliament.uk/Bills/2017-19.html>

³ GOV.UK publication, March 2017. Online at: <https://www.gov.uk/government/publications/the-repeal-bill-white-paper>

⁴ GOV.UK news, October 2017. Online at: <https://www.gov.uk/government/news/government-sets-out-vision-for-post-eu-trade-and-customs-policy>

⁵ GOV.UK speech, November 2017. Online at: <https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>

⁶ GOV.UK collection. Online at: <https://www.gov.uk/government/collections/article-50-and-negotiations-with-the-eu>

⁷ GOV.UK publication, April 2018. Online at: <https://www.gov.uk/government/publications/uk-position-paper-on-the-future-of-cohesion-policy>

⁸ European Council, Council of the European Union. Online at: <https://www.consilium.europa.eu/en/>

⁹ House of Commons Library publication, March 2018. Online at: <http://researchbriefings.files.parliament.uk/documents/CBP-8269/CBP-8269.pdf>

detailed politically binding agreement, with the aim of a formal trade treaty by March 2019.

1.5.7 On 26th April, MPs approved a non-binding motion saying the UK should stay in the customs union after Brexit. The Government's position is that remaining in the customs union would prevent the UK from signing trade agreements with countries outside the EU. The motion was passed without division. The Trade Bill will come back to the Commons shortly.

1.5.8 The Local Government Association (LGA) has set up a 'Post-Brexit England Commission'¹⁰ with the aim of presenting solutions to issues raised by Brexit for Local Government. It will principally investigate issues surrounding skills and productivity challenges, and infrastructure pressures. The findings will be published in spring 2019.

2. Key Messages / Summary

2.1 Dover is the Gateway to Europe and the UK's exit from the European Union will have a significant impact on us, our district and our communities, creating opportunities to do things differently as well as challenges that need to be addressed. As the pathway to the district is through Kent, the impact will also be felt across the county and further afield.

2.2 Withdrawal from the EU involves a complex set of negotiations. Although the Government hopes to deliver a smooth and orderly Brexit, the outcome of the Article 50 process is difficult to predict.

2.3 It is crucial that we grasp any potential opportunities offered by Brexit to ensure that it is a success for the area and mitigate the negative impacts. Brexit, and the repatriation of powers from the EU, provides a once in a generation opportunity to shape local government for the future, devolving responsibilities and resources to local democracies. Any policies and strategies need to work for all our communities and address the concerns that led to the vote for Brexit.

Transport and Infrastructure

2.4 With over 10,000 freight vehicles passing through the Port of Dover on peak days, and with HGV volumes expected to grow by +43% by 2030¹¹, the implications of changes to border and customs arrangements are substantial. Capacity problems within the Port of Dover, and the knock-on effects on transport flows within the district, and wider transport network, are a major concern. We therefore need urgent clarity on post Brexit arrangements, adequate support to keep trade flowing and transport networks moving and need to consider contingency plans for the possibility of a hard / high-friction Brexit.

2.5 Operation Brock, the interim plan to avoid cross-channel congestion¹², needs to be delivered before any change to customs arrangements in March 2019, but a start date for necessary road works has not yet been announced and there does not appear to be a Plan B. A permanent solution will not be in place for many years, if enacted through current planning

¹⁰ Local Government Association (n.d). Post-Brexit England Commission. Online at: <https://www.local.gov.uk/devoforall>

¹¹ Kent County Council response to CLG Select Committee Inquiry on Brexit and Local Government, November 2017. Online at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/committees-and-local-government-committee/inquiries/parliament-2017/brexit-local-authority-inquiry-17-19/publications/>

¹² GOV.UK news, May 2018. <https://www.gov.uk/government/news/new-operation-stack-plans-to-keep-kent-moving>

processes and procedures¹³. It is also important that any solution implemented does not impede the practical and physical operations of businesses operating in the Dover district, for example, businesses being forced to travel to Maidstone to join the end of the queue to come back to Dover Port.

- 2.6 A key consideration for the Dover district is upholding the UK's collaborative border relationship with France under the Treaty of Canterbury, Le Touquet Agreement and the Sangatte Protocol.
- 2.7 The impact of more queuing traffic on Dover's roads, particularly within the Air Quality Management Area, as a result of any potential new customs arrangements at the Port of Dover, is of major concern and will likely impact on Dover District Council's Air Quality Action Plan for Nitrogen Dioxide.
- 2.8 In addition, Dover District Council is the Port Health Authority¹⁴ for both the Port of Dover and the Channel Tunnel, with associated statutory responsibilities. Current port health controls, stipulated by statute, are small-scale. This is partly due to the import checks and examinations that are currently carried out on our behalf at the point of entry into and then across the EU. Depending upon the outcome of the Brexit negotiations, these may need to be completed in full at the ports. It is vital that there is adequate legislation, facilities, resourcing and authorised competent staff to provide the necessary checks for food safety in the Dover Port Health district.

Local Economy and Workforce

- 2.9 In general terms, the major risks for the local economy are a shortage of available skills and labour, rising costs and the shrinking of the export market. This could have a negative impact on inward investment.
- 2.10 Research by the Centre for European Studies at Canterbury Christchurch University¹⁵ has found that at a local level, connections with the European economy and the single market may be seen in three respects:
- A large number of firms in the region either export products to EU member- states, import from them, or are involved in facilitating these transactions.
 - The land-based industries in the Kent and Medway region depend upon EU subsidies of approximately £54 million per year.
 - A significant proportion of workers in the region are citizens of other EU member-states, with many of them from the accession states in Central and Eastern Europe.
- 2.11 At this point in time there is no data collated / available to give the number of EU employees in the Dover district.

¹³ The Channel Tunnel Act, which authorised the construction of the tunnel and associated works, was a Hybrid Bill. The Hybrid Bill process, which combines elements of public and private legislation, is relatively rare, but has, in recent years, been used to authorise major infrastructure projects of national importance. If required, a hybrid bill can grant deemed planning permission for any scheme it provides for. For further information, please see UK Parliament, Hybrid Bills. Online at: <https://www.parliament.uk/about/how/laws/bills/hybrid/>

¹⁴ For further information, please see GOV.UK, Port health authorities. Online at: <https://www.gov.uk/guidance/port-health-authorities-monitoring-of-food-imports>

¹⁵ Hadfield, A, Martill B, Nazarenko, L (n.d.). Canterbury Christchurch University, Centre for European Studies, Kent and 'Brexit' Realities and Risks in Regional Perspective. Online at <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/cefeus-kent-and-brexit-report.pdf>

- 2.12 The most accurate source of data on the UK population is the Census, published by the Office for National Statistics (ONS). The most recent Census results showed that, in March 2011, 3,383 people (3%) living in the Dover district, were born in other EU countries¹⁶.
- 2.13 The most recent estimates of the EU migrant population of the Dover district are available from the Labour Force Survey, published by the ONS¹⁷. According to these figures, between July 2016 and June 2017, there were around 2,000 (rounded to the nearest 1,000) people born in other EU countries living in the district. Figures for the population aged 16-64 years in the district are not available due to disclosure control.
- 2.14 The number of new National Insurance Number (NINo) allocations to adult overseas nationals is also used as a measure for the number of new migrant workers in an area. However, this data has limitations and it is not possible to determine how many migrant workers there are in an area at any one time.
- 2.15 A map of NINo allocations shows that, in 2016/17, no district in Kent was in the top 20% of English local authorities with the highest NINo allocations. However, neighbouring Medway was in the top 20% with 2,762 NINos in 2016/17 and had the eighth highest number in the region.
- 2.16 Of the 13,926 NINOs allocated in Kent in the year following the referendum, the Shepway and Dover districts had among the lowest allocations in the region with 477 and 495 NINos respectively.
- 2.17 In the Dover district, workers from the EU Accession States accounted for more than two thirds (68.1%) of all new NINo allocations. In Kent, all districts had a higher proportion of new migrant workers from the EU Accession States than the England average of 47.0% with the exception of Shepway (45.1%).
- 2.18 The top country of origin in the Dover district was Romania (114), followed by Bulgaria (61) and Poland (55)¹⁸.
- 2.19 Official data on the type of industries that EU nationals are working in in the Dover district is not available. However, the industries that may see the greatest impact, if overseas worker migration was restricted, include wholesale and retail trade, agriculture and construction.
- 2.20 The Migration Advisory Committee, an advisory non-departmental public body, sponsored by the Home Office,¹⁹ is considering the impacts of Brexit on the UK labour market and will be making recommendations on how to better align the visa system to the needs of employers. The committee's findings are expected to be published by September 2018.
- 2.21 The Dover district is predominately-rural (79.3%)²⁰. For the rural economy, a major concern of Brexit is the loss of EU subsidies. The government has promised an Agriculture Bill to replace the Common Agriculture Policy (CAP), which has guided EU funding and policy up until now.

¹⁶ Office for National Statistics, 2011 Census. Online at <https://www.ons.gov.uk/census/2011census>

¹⁷ Office for National Statistics. Online at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/populationoftheunitedkingdombycountryofbirthandnationality>

¹⁸ Migrant Workers in Kent (KCC Strategic Business Development & Intelligence) Published August 2017. Online at:

<http://www.kent.gov.uk/about-the-council/information-and-data/Facts-and-figures-about-Kent/economy-and-employment>

¹⁹ Migration Advisory Committee. Online at <https://www.gov.uk/government/organisations/migration-advisory-committee>

²⁰ According to the 2011 Rural Urban Classification for Small Geographies. Further information is available online at:

<https://www.ons.gov.uk/methodology/geography/geographicalproducts/ruralurbanclassifications/2011ruralurbanclassification>

- 2.22 Farming is worth £5.4bn to Kent's economy²¹, with an estimated 20,000 seasonal agricultural workers employed in the county. Uncertainty about changes to immigration is already reported to be having an impact on seasonal workers' intentions to return for work in Kent farms.
- 2.23 There is limited data available at a district level to help us assess the likely impact of Brexit on local businesses. We therefore recommend that we either:
- Carry out a survey of businesses in the Dover district on the challenges and opportunities of Brexit or
 - Include a small number of Brexit questions in the forthcoming Local Business Survey being undertaken as part of the Local Plan.
- 2.24 This will be a useful way of gaining insight into the:
- Level of trade that exists between the EU and employers in the district
 - Concerns regarding access to skills
 - Local reliance on EU funding
 - Support needed to prepare for changes to the regulatory and legal framework (for example, changes to customs, exports and public protection standards)
 - New market opportunities.
- 2.25 We could also consider inviting Professor Hadfield, from the Centre for European Studies and Christ Church University in Canterbury, to give a presentation to the Dover Brexit Taskforce – please see Appendix 3 for details of Brexit research carried out.

Tourism

- 2.26 It is estimated that the tourism industry provides 5,562 jobs in the district, which equates to 15.9% of total employment. Between 2013 and 2015, the value of the visitor economy in the Dover District increased by 6.6%, compared to 4.8% across Kent²².
- 2.27 The Kent and Medway region attracts a significant number of visitors from overseas each year. A greater proportion of visitors arrive from EU member-states (77%) than the national average (67%) owing to our proximity to the European continent and its usefulness as a waystation for travellers heading to London and beyond.
- 2.28 There are several risks identifiable to the tourism sector of a British exit from the EU, which may adversely affect the number of visitors to the region from EU member-states.
- 2.29 The most important concerns the effects of the re-imposition of customs controls that may accompany a British withdrawal. Visitors from Europe may be less inclined to holiday in the UK if there is an increase in the time, costs and restrictions on entering the country, especially if they are able to travel within neighbouring countries easier.
- 2.30 Post-Brexit the free flow of goods and visitors is vital. The visitor economy lost over £1m per day during Operation Stack in 2016 (not including the reputational damage caused)²³.
- 2.31 There will also be direct effects on Dover residents: If customs restrictions are re-imposed and cross-border travel made slower, the marginal benefits of short breaks to the continent will decrease.

²¹ Kent Rural PLC. Online at: <https://ruralplc.com/>

²² Visit Kent, Destination Research Economic Impact of Tourism, Dover – 2015 Results (2016). Online at: https://www.visitkentbusiness.co.uk/library/Economic_Impact_of_Tourism_-_Dover_2015_FINAL_REPORT.PDF

²³ Visit Kent. Online at: <https://www.visitkent.co.uk>

- 2.32 The tourism industry relies heavily on European and migrant labour, and concerns regarding labour availability and attracting homegrown talent, with the necessary skills, have been raised.
- 2.33 In January 2018, a Digital, Culture, Media and Sport Committee report on the potential impact of Brexit on the creative industries, tourism and the digital single market²⁴, found that the UK has received significant European funding, for example through the Creative Europe programme. Although non-EU countries can still participate in this particular programme, they must accept free movement of people, which the UK government has rejected.
- 2.34 The Committee recommended the government carry out a full mapping exercise of direct and indirect funding streams that support these sectors and clarify which funds will be replaced and the criteria that will apply.

Funding

- 2.35 The LGA estimates that a potential funding gap of €10.5 billion (c. £8.4 billion) for local government will open immediately from the point the UK officially exist the EU, unless a viable domestic successor to EU structural funding is implemented²⁵.
- 2.36 The South East LEP (Local Enterprise Partnership) has an indicative allocation of £160 million of Structural Funds from the EU, awarded by the Government for the 2014 – 2020 EU funding period. This is made up of £74.2m ERDF (European Regional Development Fund); £71.6m ESF (European Social Fund); and £14.5m EAFRD (European Agricultural Fund for Rural Development).
- 2.37 Kent County Council has a strong record of accomplishment of securing access to EU funding, which the Dover district benefits from. A report to its Growth, Economic Development and Communities Cabinet Committee in July 2016, on the Impact of the EU Referendum on European Funding,²⁶ indicated that KCC has secured a total of £52.62m for the 2014-2020 programming period, including £42.3m for the Port of Dover and £5.3m for the LEADER programme²⁷ in West Kent, East Kent and Mid Kent.
- 2.38 Since 2014, over £200m of EU grants and loans have come into Kent-based organisations.
- 2.39 Brexit creates an opportunity for a streamlined model to replace EU funding and support growth based on local need.
- 2.40 The Government has confirmed that all signed structural fund projects are guaranteed funding up to the point when the UK departs the EU – even when these projects continue after we have left. Projects will have to demonstrate good value for money and be in line with domestic strategic priorities.
- 2.41 The Government has also committed to creating a UK Shared Prosperity Fund (UKSPF) to replace EU economic aid. There are no further details available regarding the criteria for this,

²⁴ House of Commons Digital, Culture, Media and Sport Committee, The potential impact of Brexit on the creative industries, tourism and the digital single market. Online at:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcmds/365/365.pdf>

²⁵ Local Government Association, Beyond Brexit: Future of funding currently sourced from the EU. Online at:

https://www.local.gov.uk/sites/default/files/documents/2017-07_Beyond%20Brexit%20-%20LGA%20Discussion%20%28FINAL%29_0.pdf

²⁶ Kent County Council, Impact of the EU Referendum on European Funding. Online at:

<https://democracy.kent.gov.uk/documents/s70051/Item%20C3%20-%20Impact%20of%20the%20EU%20Referendum%20on%20European%20Funding.pdf>

²⁷ The LEADER programme is a European Union initiative to support rural development projects initiated at the local level in order to revitalise rural areas and create jobs

how much will be allocated to it, the relationship it may have with the Local Growth Fund, whether the EU principle of match funding will apply, or what outcomes the Government expects from this. In January 2018, the Government pledged to consult widely on the design of the UKSPF, and has asked LEPs to lead on regional responses; the consultation is expected later this year²⁸.

- 2.42 In November 2017, the Government published the Industrial Strategy White Paper²⁹, reiterating that it will ensure that local areas continue to receive flexible funding for their local needs. Local industrial strategies (LIS) are central to this focus.
- 2.43 The South East Local Enterprise Partnership (LEP)³⁰ will lead the LIS in our area. LEP's currently develop Strategic Economic Plans (SEPs) to define local economic strategy and access the Government's Local Growth Fund. LISs have a wider remit and place focus and will involve more institutions. Areas will need to build on their SEPs to develop their respective LISs, which will need to be agreed in partnership with the Government.
- 2.44 The South East LEP is currently renewing its Strategic Economic Plan³¹ and has consulting a range of public and private stakeholders. The aim is to publish the SEP early 2018.
- 2.45 The 2015 Growth and Infrastructure Framework for Kent and Medway³² is also currently being refreshed. This will provide a picture of housing and infrastructure requirements based on forecasts of population for Kent and Medway and for each district in the county. These population forecasts and consequential housing needs will be projected to 2031; the refreshed GIF will also suggest different growth scenarios for up to 2050.
- 2.46 In November 2017, Kent County Council set out its plan to develop an Enterprise and Productivity Strategy³³, to improve Kent' overall standard of living over the next 30-years. KCC is expected to consult on the strategy in autumn 2018.

EU Legislation

- 2.47 The White Paper Legislating for the UK's withdrawal from the EU³⁴ states that Brexit is an opportunity to ensure returning 'power sits closer to the people of the UK than ever before'. It includes a commitment to continue to champion devolution to local government.
- 2.48 The LGA has scoped out the relevant legislation for local government that could affect councils and it is recommended that we form an internal working-group to assess the local impact of these on district council services.

Further Information

Please see the following pages for further information.

²⁸ GOV.UK publication, April 2018. Online at: <https://www.gov.uk/government/publications/uk-position-paper-on-the-future-of-cohesion-policy>

²⁹ GOV.UK publication, November 2017. Online at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

³⁰ South East LEP. Further information is available online at: <https://www.southeastlep.com/>

³¹ South East LEP, Strategic Economic Plan. Online at: <http://www.southeastlep.com/strategic-economic-plan>

³² Growth and Infrastructure Framework for Kent and Medway 2015. Online at:

https://www.kent.gov.uk/__data/assets/pdf_file/0012/50124/Growth-and-Infrastructure-Framework-GIF.pdf

³³ Kent County Council, An Enterprise and Productivity Strategy for Kent. Online at:

<https://democracy.kent.gov.uk/documents/s80850/An%20Enterprise%20and%20Productivity%20Strategy%20for%20Kent%20v.2.pdf>

³⁴ GOV.UK publication. Online at: <https://www.gov.uk/government/publications/the-repeal-bill-white-paper/legislating-for-the-united-kingdoms-withdrawal-from-the-european-union>

3. Transport and Infrastructure

Port of Dover

- ❖ The main risks for the district are the capacity problems within the Port of Dover and the knock-on effects on transport flows within the district, Kent and beyond.
- ❖ Need to press the Government to ensure that it treats the free flow of traffic through the port as a top priority in its Brexit negotiations.
- ❖ Need to consider contingency plans for the possibility of a hard / high friction Brexit.

- 3.1 As the 'Gateway to Europe', a principal concern for Dover is the ability for the Port to cope with the volume of freight and customs if there are changes to the free movement of goods; this is because there is limited inspection space at the Port.
- 3.2 Most goods entering or leaving the UK on a vehicle (to or from the EU) go through a roll-on/roll-off (ro/ro) port or terminal, of which the Port of Dover is the largest.
- 3.3 Dover handles one sixth of the UK's total trade in goods with a value of £119bn per year. Latest figures show that around 2.6 million freight vehicles passed through the Port of Dover in 2017. Nearly all (99%) freight moved through the port is intra-EU. To give an idea of the scale of freight, if all lorries that pass through Dover in a single day were lined up end to end in lane 1, they would stretch from the port to London's Stansted Airport, almost 100 miles away³⁵.
- 3.4 The Channel Tunnel also operates as a ro/ro and a further 1.6m lorries used Eurotunnel in 2017. Together, Dover and Eurotunnel carried 32.6m passengers in 2016, more than the UK's third largest airport.
- 3.5 The Port of Dover is fully integrated into a frictionless single market, with customs checks last carried out for UK-EU trade in 1992. It is estimated that there could be an extra 300 million declarations a year once outside the trade bloc and it will take time for industry to adjust.
- 3.6 The freight vehicles currently only take seconds to clear the Port of Dover but if Brexit ends up creating regulatory and tariff barriers between the UK and the EU, it is predicted that there could be gridlock around the town and through to Maidstone and beyond. If increased waiting times persisted then perishable goods could be damaged and supply chains interrupted. There is also a potential impact on air quality of any increased traffic queues at border controls.
- 3.7 The government says around four percent of non-EU imports are currently subject to customs checks at border entry points. This means that more than 300 a day could be stopped at the Port of Dover if they are checked at a similar rate³⁶.
- 3.8 Customs checks on imports from outside the common market can take between 5 minutes to 45 minutes per vehicle. Port officials have warned that increasing the average time it takes to clear customs by as little as two minutes could lead to 17-mile traffic jams³⁷.
- 3.9 The Government is also due to replace the information technology system used by HM Revenue & Customs (HMRC) with effect from January 2019. In July 2017, a National Audit

³⁵ Dover Harbour Board. Online at: <https://www.doverport.co.uk/>

³⁶ Reuters, UK customs model unlikely to achieve frictionless post-Brexit trade. Online at: <https://uk.reuters.com/article/us-britain-eu-ports/uk-customs-model-unlikely-to-achieve-frictionless-post-brexit-trade-idUKKCN1BP20J>

³⁷ Dover Harbour Board. Online at: <https://www.doverport.co.uk/>

Office (NAO) report³⁸ on the progress of the Customs Declaration Service (CDS) programme, warned there was still a significant amount of work to complete and there was a risk that HMRC would not have full functionality and scope of CDS in place by March 2019 when the UK plans to leave the EU. The CDS programme also faced uncertainty due to the unknown outcome of the UK/EU negotiations. Any changes to the new system requirements made shortly before the planned implementation date would increase the risk of additional cost or delay to the programme.

- 3.10 The NAO reports that the Port of Dover could see delays after Brexit because of the need to make many more customs checks. It also predicts bottlenecks and congestion as the time needed to make checks will increase. The NAO estimated that immigration officials would need to make 230% more decisions a year if the existing regime for travellers from outside the European Economic Area (EEA) is extended to European arrivals. If customs declarations were needed for trade between the UK and EU, the total number could increase by 360%. The NAO report warns that the Port of Dover does not have capacity for inspecting and checking vehicles and it would be wrong to think that border controls can continue by “doing more of the same”.

Borders and Customs

- 3.11 Leaving the EU is highly likely to have a major impact on border controls at points of entry to the UK. Juxtaposed immigration controls were set up in the early 2000s with the UK Border Force carrying out controls at the port of Calais, the Coquelles Eurotunnel terminal and at Eurostar’s continental stations. However, the *Le Touquet* Treaty governing these arrangements is a bi-lateral treaty and is therefore not directly affected by leaving the EU.
- 3.12 A key consideration for Kent and the Dover district is upholding the UK’s collaborative border relationship with France under the Treaty of Canterbury, Le Touquet Agreement and the Sangatte Protocol.
- 3.13 Kent County Council is urging the Government to maintain this arrangement, maximising the French infrastructure investment in the Pas de Calais region to build on our strong collective working arrangements with European partners on security, emergency planning and public protection³⁹.
- 3.14 A modern customs clearance facility needs to be delivered by 2019.
- 3.15 A national exercise looking at the impact of additional customs checks in France and UK outward-bound traffic is expected to be carried out later in 2018 and we would expect to be involved via the Kent Resilience Forum.

Roads

- 3.16 The road freight industry is worth £74bn to the UK economy and accounts for 41% of vehicles on Kent’s strategic road network. Annually 4.5m freight vehicles come through Kent, equivalent to a lorry on our roads every 7 seconds.

³⁸ National Audit Office, The Customs Declaration Service (July, 2017). Online at: <https://www.nao.org.uk/report/the-customs-declaration-service/>

³⁹ Kent County Council response to CLG Select Committee Inquiry on Brexit and Local Government, November 2017. Online at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2017/brexit-local-authority-inquiry-17-19/publications/>

- 3.17 A smart, resilient transport network is required to accommodate rising international freight, with Dover seeing a 30% growth in freight vehicles in the last 3 years. Cross-Channel traffic is estimated to grow by 40% by 2030, with HGV volumes growing by 43%. This would equate to 3.8m HGVs using Dover⁴⁰.
- 3.18 Freight and vehicle fluidity is essential for the business models of Dover and Eurotunnel. The current transport infrastructure, which is insufficient to respond to changing border arrangements, puts the local and UK economy at risk. The estimated daily cost of the disruption caused by Operation Stack is £1.45m to Kent and Medway's economy and £250m to the UK economy⁴¹.
- 3.19 On 21st May 2018, the Government announced a new interim plan to avoid cross-channel congestion⁴². The plan, codenamed Operation Brock, needs to be delivered before any possible change to customs arrangements in March 2019 but a start date for necessary road works has not yet been announced and there does not appear to be a Plan B. 3.20 A 13-mile stretch of the coast-bound section of the M20, between Junction 8 near Maidstone and Junction 9 near Ashford, will be earmarked to hold Heavy Goods Vehicles, in what will effectively become a giant temporary lorry park holding around 2,000 lorries. The London-bound stretch will then become a contraflow with two lanes of cars going each way. Highways England will spend £25 million on these preparations, including the hardening of both the hard shoulders to cope with normal traffic.
- 3.20 This news follows the decision not to defend a Judicial Review into the Government's favoured permanent successor to Operation Stack⁴³.
- 3.21 The Government acknowledges a structural shortage of lorry parking spaces and says Highways England will launch a public consultation on a permanent solution to Operation Stack "shortly" (this is likely to be in June / July 2018). However, it is likely that a permanent solution will not be in place for many years if enacted through current planning processes and procedures⁴⁴. It will also depend on the post-Brexit customs arrangements reached with the European Union. Therefore, the 'temporary' traffic-management system "Operation Brock" will be in force for some time.
- 3.22 It is also important that any solution implemented does not impede the practical and physical operations of businesses operating in the Dover district, for example, businesses being forced to travel to Maidstone to join the end of the queue to come back to Dover Port.
- 3.23 The impact of more queuing traffic on Dover's roads, particularly within the Air Quality Management Area, as a result of any potential new customs arrangements at the Port of Dover, is of major concern and will likely impact on Dover District Council's Air Quality Action Plan for Nitrogen Dioxide.

⁴⁰ Kent County Council response to CLG Select Committee Inquiry on Brexit and Local Government, November 2017. Online at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2017/brexit-local-authority-inquiry-17-19/publications/>

⁴¹ KCC response to the Department for Transport's 'Shaping the Future of England's Strategic Roads' consultation on Highways England's 'Strategic Road Network Initial Report'. Online at: <https://democracy.kent.gov.uk/documents/s82607/Item%208%20-%20Appendix%20A%20-%20KCC%20Response%20to%20DfT%20Strategic%20Roads%20Consultation%20FINAL.pdf>

⁴² GOV.UK news. Online at: <https://www.gov.uk/government/news/new-operation-stack-plans-to-keep-kent-moving>

⁴³ GOV.UK news. Online at: <https://www.gov.uk/government/news/government-fully-committed-to-operation-stack-solution>

⁴⁴ The Channel Tunnel Act, which authorised the construction of the tunnel and associated works, was a Hybrid Bill. The Hybrid Bill process, which combines elements of public and private legislation, is relatively rare, but has, in recent years, been used to authorise major infrastructure projects of national importance. If required, a hybrid bill can grant deemed planning permission for any scheme it provides for. For further information, please see UK Parliament, Hybrid Bills. Online at: <https://www.parliament.uk/about/how/laws/bills/hybrid/>

- 3.24 Wider infrastructure improvements are also needed to facilitate traffic to and from the Channel Ports. These include the New Lower Thames Crossing and enhancements of the M2/A2 corridor, including key junction improvements (e.g. M2 Junction 7 Brenley Corner), to enable the bifurcation of traffic between the M2/A2 and M20/A20 corridors and enhance the network's resilience⁴⁵.

Port Health and Imported Food Controls

- ❖ Current port health controls, stipulated by statute, are small-scale. This is partly due to the import checks and examinations that are currently carried out on our behalf at the point of entry into and then across the EU. Depending upon the outcome of the Brexit negotiations, these may need to be completed in full at the ports.
- ❖ It is vital that there is adequate legislation, facilities, resourcing and authorised competent staff to provide the necessary checks for food safety in the Dover Port Health district⁴⁶.

- 3.25 Port health authorities (PHAs) are usually the UK local authority where a port or airport is located. PHAs enforce a wide range of international, European and domestic legislation at ports and aboard vessels carrying passengers and freight. The controls are in place to protect the public, animal and environmental health of the UK and Europe.
- 3.26 The Port of Dover is a Port Health district and Dover District Council is the Port Health Authority (PHA) for that district. The Channel Tunnel is also located within the Port Health district, entering the UK within the Dover district. This means that we are responsible for:
- monitoring the safety of imported food which is not of animal origin (NOAO)
 - infectious disease control
 - ship inspections
 - food safety
 - hygiene standards and general public health within the Port Health district.
- 3.27 Technically, the Port of Dover has an internal border (border within Europe via ro-ro ferries) which has Designated Point of Import (DPI) status and an external border (goods arriving from outside of Europe via deep-sea vessels typically fruit) which has Designated Point of Entry (DPE) status.
- 3.28 The relevance of the DPI and DPE status is that the higher status of DPE was only awarded to the facilities at the smaller external border area, facilitating deep-sea imports. This was because the facilities and maintenance of the rest of the port were not of the standard required. This is likely to be an issue post Brexit (especially as the majority of trade enters the port via the DPI). The Channel Tunnel has neither as currently high-risk foodstuff are not permitted to enter the UK through this route.
- 3.29 All foodstuffs NOAO travelling into the EU must first enter the community through a DPE. Products of Animal origin (POAO) from third countries must also enter the community through a Border Inspection Post (BIP). The Port of Dover and the Channel Tunnel are not BIP's. Therefore, POAO can only travel through Dover and/or the Channel Tunnel if they are already in free circulation. This means they must have been presented and cleared at a BIP, approved by the European Commission, before their arrival at Dover or the Channel Tunnel.
- 3.30 The majority of foodstuffs entering the UK via Dover are considered low-risk foodstuffs, such as fruit and vegetables. However, a number of high-risk foodstuffs are also imported through

⁴⁵ Kent County Council, Local Transport Plan 4: Delivering Growth without Gridlock 2016–2031 (n.d.). Online at: https://www.kent.gov.uk/__data/assets/pdf_file/0011/72668/Local-transport-plan-4.pdf

⁴⁶ Information on port health and food import controls provided by DDC Regulatory Services

Dover and these are controlled under specific Emergency Control Regulations. Importers of food such as nuts, dried figs, uncultivated mushrooms, spices etc. are required to provide evidence that they have been produced and tested to a certain standard. The food may be required to be sampled before it is cleared to enter the UK.

- 3.31 Protecting the quality of food imports is an important issue, and any change in import controls would create capacity demands on public protection services and place pressure on the transport network. At this stage, we can only surmise the implications and potential changes to processes, which are largely based on whether we have a soft or hard Brexit.
- 3.32 A soft exit may result in current systems being largely replicated but with some additional checks that could (if quantities are not excessive) be conducted at Dover Port and the Channel Tunnel sites. Facilities and the maintenance of them would have to be significantly improved to DPE and / or BIP standards (depending on the outcome of the negotiations) at potentially both ports and space for this is an issue. The provision and maintenance of facilities is the responsibility of the port operators at both sites, but the provision of competent staff is the responsibility of Dover District Council (as the DPHA).
- 3.33 A hard exit would most probably see the need for a BIP at Dover Port and potentially the Channel Tunnel. This is because post Brexit the expectation is that goods will transit across Europe to the UK border for inspection. The BIP designation is the highest level and would cover all foodstuffs (i.e. POAO and NOAO).
- 3.34 The current system in place is simple, limited and dependant largely on goodwill. It relies on agents pre-notifying DPHA, via our online system, with basic details about themselves and the food they are importing. Nationally, the HMRC HUB profiles foodstuffs covered by an Emergency Control, and therefore legally classed as 'High Risk', which alerts us to goods entering that cannot clear without Port Health clearance.
- 3.35 POAO for human consumption, e.g., meat, meat products, dairy, fish or composite products containing these, and potentially other POAO that are not for human consumption i.e. hunting trophies, blood etc. may need to be stopped and examined and potentially sampled and detained by this authority depending on the legal requirements specified etc. The infrastructure to do this is not currently in place.
- 3.36 The quantity of POAO entering the UK through both sites is believed to be substantial. Neither port obtains manifests of the type, quantity or weight etc. of goods transiting them. Therefore, it is impossible to obtain accurate figures as to the scale of the potential foodstuffs that may require additional controls. However, we do know that approximately 10,000 lorries per day (in and out) use the Port of Dover and 6-7,000 lorries per day (in and out) use the Channel Tunnel.
- 3.37 Of these, a significant number of lorries will be carrying foodstuffs that are likely to need additional checks. In practice, these will require the following provisions to be maintained 24 hours a day:
- Interactive Pre-notification system
 - Examination Facilities
 - Competent Port Health Officers (to examine foodstuffs)
 - Competent Vets (to examine POAO)
 - Handling Staff (to physically move and put loads out for examination)
 - Administration Staff (to process paperwork and take payments etc.)
 - Office facilities including IT
 - Storage facilities for ambient, chilled and frozen foodstuffs

- Holding Facilities
- Secure parking and detention bays etc.

- 3.38 Current systems are based on juxtaposed controls being conducted in France and England (currently we do not do this for food imports). Once outside of the EU such controls may cease, but if they do not then the PHA may be required to provide imported food controls on the French side of the border at each point of entry i.e. Dunkirk, Calais and Coquelles. If this were the case, we will need to factor in additional issues to our service provision such as language barrier, travel time for Environmental Health Officers, availability of accredited laboratory and facilities, H&S and insurance implications of working outside the UK etc.
- 3.39 To provide a service at the juxtaposed positions would require a substantial work force, which at this stage we cannot begin to surmise other than to draw inference from the provision provided by other ports such as Felixstowe BIP. Felixstowe employ approximately 50 port health staff and 9 vets to operate their facility, which has a smaller throughput than the two ports combined.
- 3.40 In terms of food safety, the fundamental concern of the PHA and the Food Standards Agency is bio-security and the prevention and containment of infectious diseases such as foot and mouth, avian flu, swine fever etc. Therefore, all controls are required to be conducted (as stipulated within the current legislation) within the confines of the port to prohibit the spread of disease and infection across the UK and beyond.
- 3.41 However, port operators concerns surrounding the flow (keeping traffic moving) and lack of space or facilities to conduct such controls on site, remain high and critical. The default of encouraging the PHA to conduct official controls (if permissible by law) in France will come at a significant additional cost to the authority. In addition, suggestion of re-routing trade to a port with adequate facilities would have substantial implications on the local economy.
- 3.42 In addition, we cannot ignore the implications on export controls as post Brexit the authority may also be required to carry out additional checks and certification for goods leaving the UK via the two ports.
- 3.43 In order for local authorities to provide efficient controls, the Government will need to provide sufficient investment to maintain the resilience of the infrastructure, including enhancing inspection facilities (the last inspection took place in 1992) and revising the relevant legislation.
- 3.44 We ask that the Government fully engages with us to ensure that the food safety function is fully understood and any proposed controls are outlined with DPHA to ensure that they are relevant, workable and logistically feasible bearing in mind the current status, that:
- DPHA have powers to examine and detain food BUT not to physically stop vehicles in the first place.
 - DPHA have no access to manifests or import/transit data, so in the large are blind as to what is entering the Port.
 - Dover Port is an open port with no physical boundaries (goods land and drive out of the port within 7 minutes), so nothing to stop vehicles leaving the port.
 - DPHA have inadequate facilities at the port to inspect food or appropriately store food.
 - DPHA have no facilities at the port to park vehicles waiting for examination etc.
 - DPHA would also have very similar issues if 'Export' checks were required on goods leaving the UK, which are not currently undertaken.
- 3.45 Viable regulatory solutions in other countries could be adapted and, with sufficient forewarning and resources (e.g. manifest schedules and Port Inspection Teams); a new entry regime

could develop to reflect the unique demands of Dover. It is essential Government engage effectively with local government, sector bodies, and European partners to address concerns and develop solutions.

- 3.46 In October 2017, the government set out its proposals for a post EU trade and customs policy⁴⁷. The Treasury's Customs Bill White Paper⁴⁸, confirmed that, regardless of the outcome of negotiations, the UK would need new customs laws in place by March 2019. Responding to calls from businesses for continuity, the white paper also confirms that the UK's new legislation will, as far as possible, replicate the effect of existing EU customs laws.
- 3.47 However, the white paper also covers provisions for the implementation of customs, VAT and excise regimes in the event that no deal is reached.
- 3.48 Brexit could have significant impact on the Council's budget as we may need a considerable increase in staffing to manage the workload and then all the associated impacts around officers having a safe working environment, access to food stuffs, testing facilities and managing freight through put etc. Therefore, clarity over our port health responsibilities, post-EU, is needed as soon as possible. We also need to have assurances that there will be effective reimbursement and a nil-detriment to our budget.

4. Local Economy and Workforce

- 4.1 In general terms, the major risks for the local economy are a shortage of available skills and labour, rising costs and the shrinking of the export market.
- 4.2 Research by the Centre for European Studies at Canterbury Christchurch University⁴⁹ has found that at a local level, connections with the European economy and the single market may be seen in three respects:
- A large number of firms in the region either export products to EU member- states, import from them, or are involved in facilitating these transactions.
 - The land-based industries in the Kent and Medway region depend upon EU subsidies of approximately £54 million per year.
 - A significant proportion of workers in the region are citizens of other EU member-states, with many of them from the accession states in Central and Eastern Europe.

Economic Growth: GDP & GVA

- 4.3 Gross Domestic Product (GDP) and Gross Value Added (GVA) are both measures of economic activity:
- 4.4 To measure how large an economy is, we look at its total output – the total value of new goods produced and services provided in a given time period. This is calculated at a national level using Gross Domestic Product (GDP). GDP growth figures are usually reported in real (inflation-adjusted) terms. When GDP goes up, the economy is growing – people are spending more and businesses may be expanding.

⁴⁷ GOV.UK news. Online at: <https://www.gov.uk/government/news/government-sets-out-vision-for-post-eu-trade-and-customs-policy>

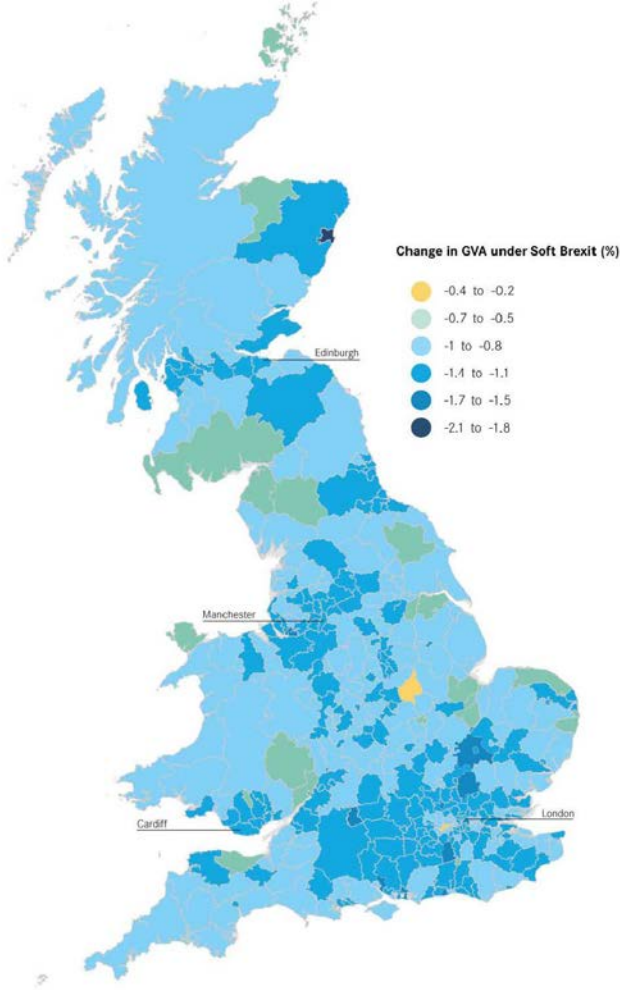
⁴⁸ GOV.UK publication. Online at: <https://www.gov.uk/government/publications/customs-bill-legislating-for-the-uks-future-customs-vat-and-excise-regimes>

⁴⁹ Hadfield, A, Martill B, Nazarenko, L (n.d.). Canterbury Christchurch University, Centre for European Studies, Kent and 'Brexit' Realities and Risks in Regional Perspective. Online at <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/cefeus-kent-and-brexit-report.pdf>

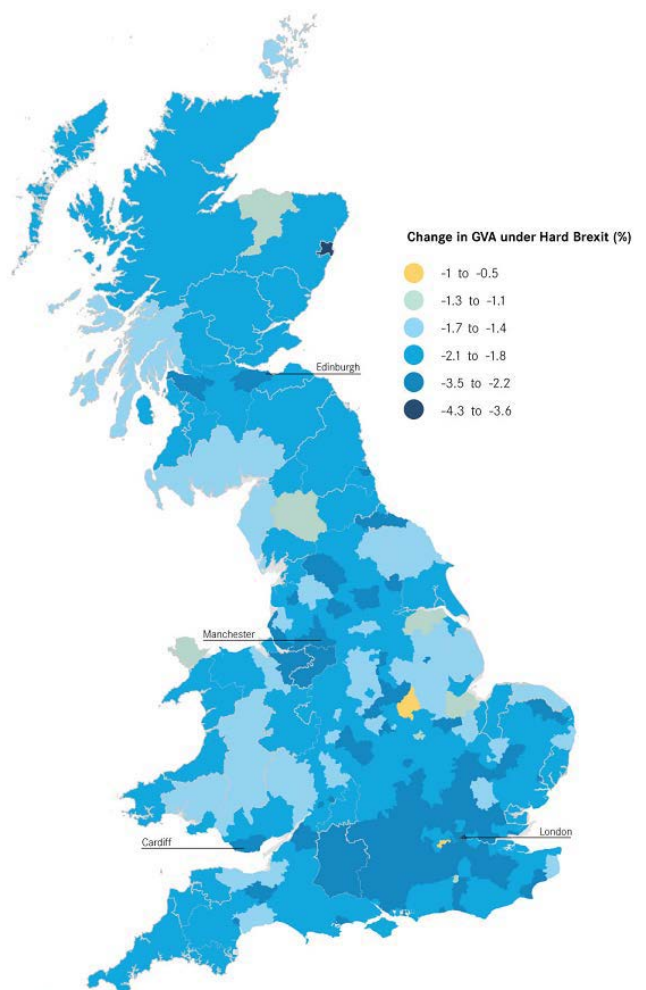
- 4.5 At a regional/country or local level, GDP data is not available, but another similar measure called Gross Value Added (GVA) is. GVA is GDP excluding taxes and subsidies on products (so GVA does not include VAT, for example). These estimates allow us to see where the UK's economic output is being produced and, by using GVA per head, to compare the standard of living in different areas of the country. These GVA figures are only available in cash (not inflation-adjusted) terms.
- 4.6 In the run up to the UK-EU membership referendum in 2016 a number of studies examined the potential consequences of Brexit for the UK economy. Most mainstream studies predicted that Brexit would have a negative impact on UK GDP.
- 4.7 The LSE has conducted research⁵⁰ into the local impacts of the increases in trade barriers associated with Brexit. It presents the predictions under two different scenarios, soft and hard Brexit. The average area level effect is negative under both scenarios, and more negative under hard Brexit. Please see maps below.

Figure 2: Maps of Percentage Decreases in Local Authority GVA

Change in GVA under Soft Brexit (%)



Change in GVA under Hard Brexit (%)



Source: LSE – Local economic effects of Brexit

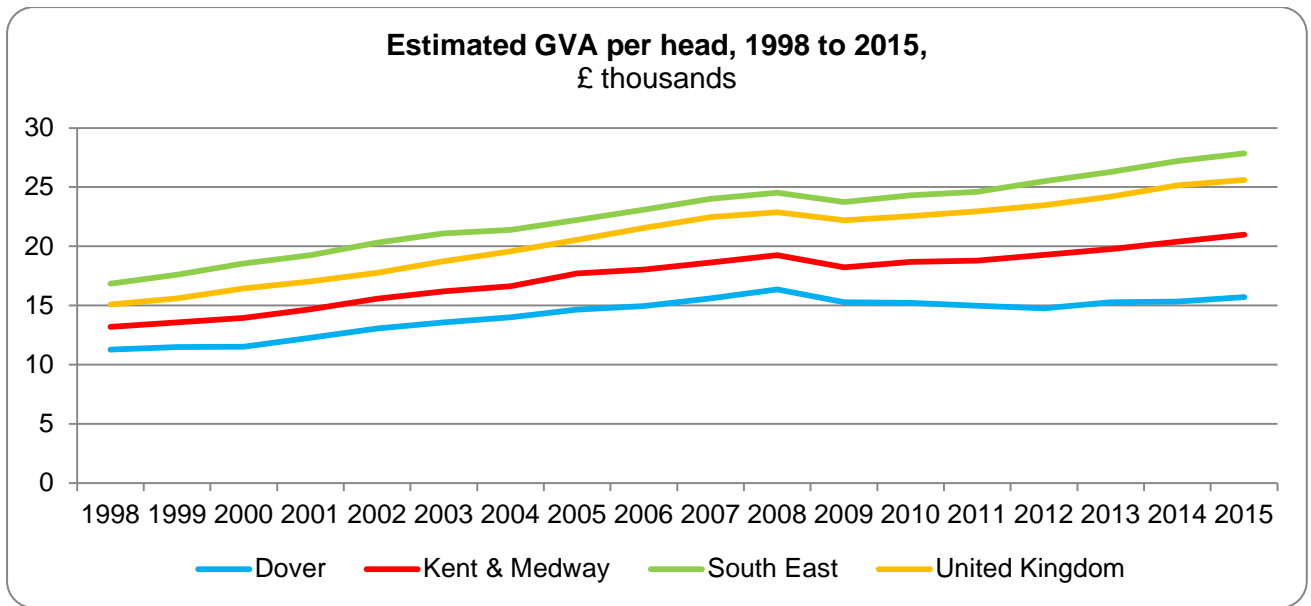
⁵⁰ S. Dhingra, S Machin, H. Overman, The Local Economic Effects of Brexit: Centre for Economic Performance, The London School of Economics and Political Science (July 2017). Online at: <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

Impact of Brexit for Kent and Medway Local Authorities (% change Gross Value Added)		
Local Authority	Soft Brexit (%)	Hard Brexit (%)
Tunbridge Wells	-1.2	-2.6
Dartford	-1.3	-2.5
Maidstone	-1.2	-2.3
Sevenoaks	-1.2	-2.3
Shepway	-1.2	-2.3
Tonbridge and Malling	-1.1	-2.3
Ashford	-1.2	-2.2
Medway	-1.2	-2.2
Thanet	-1.3	-2.2
Canterbury	-1.1	-2.2
Gravesham	-1.1	-2.1
Swale	-1.0	-1.9
Dover	-0.9	-1.7

Source: LSE – Local economic effects of Brexit.

- 4.8 The LSE research predicts that the Dover district would experience negative growth in GVA under a Soft Brexit of -0.9% and under a Hard Brexit of -1.7%.
- 4.9 These overall geographical patterns identified by the LSE deviate markedly from a small number of existing studies that suggest that impacts are likely to be biggest outside of the South of England.
- 4.10 The LSE says that two factors appear to explain these differences:
- First, existing studies are based on measures of trade exposure to the EU, which is larger for areas outside of the South of England. However, these measures of current exposure underestimate the importance of increases in non-tariff barriers (particularly in the hard Brexit scenario).
 - Second, simply looking at trade exposure ignores the willingness of individuals and firms to substitute away from foreign to domestic supply as trade-costs rise. These substitution effects are largest in service industries that are concentrated in the South of England (and Primary Urban Areas).
 - The LSE model accounts for both these factors and thus predicts a different pattern in terms of those areas predicted to be most negatively affected by Brexit.
- 4.11 GVA data for the Dover district shows that economic performance in the Dover district is already relatively low compared with the rest of the country. Three local authorities in Kent (Dover, Gravesham and Thanet) are among the lowest districts for GVA per head in the whole of the South East⁵¹.

⁵¹ Office for National Statistics, Regional GVA(I) by local authority in the UK (March 2017). Online at: <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgvaibylauthorityintheuk>



Economic Growth: Sector Specific Impacts

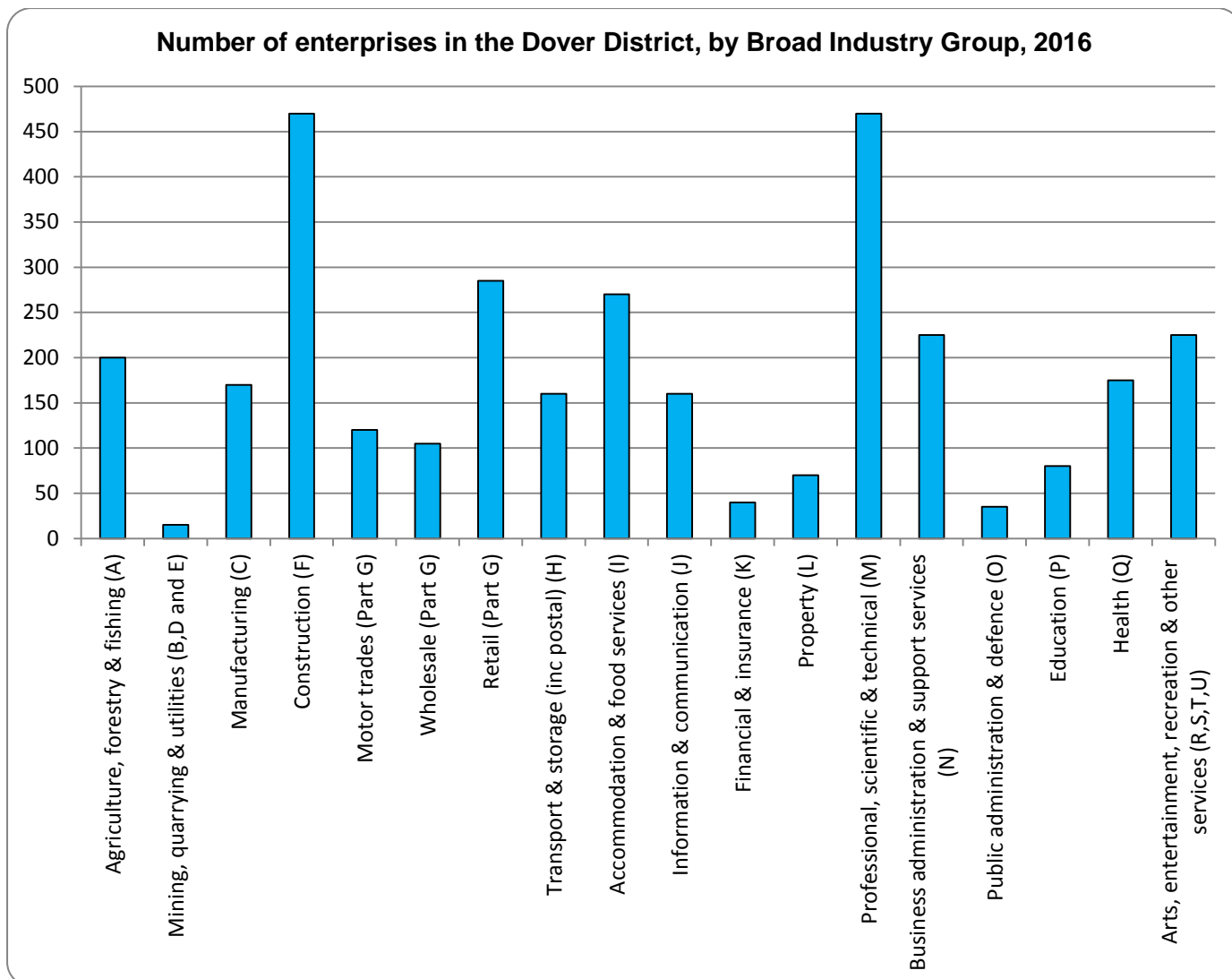
- 4.12 The LSE research into the local impacts of the increases in trade barriers associated with Brexit⁵² also analyses sector specific impacts. Under both hard and soft Brexit the estimated shocks to imports, exports and Gross Value Added (GVA) by World Input-Output Database (WIOD) sector are predominantly negative. The GVA impacts under the two different scenarios are reported in Table 1 below.
- 4.13 The Table also shows that industry specific GVA shocks are on average lower under soft Brexit than under hard Brexit (the same is true for imports and exports).
- 4.14 The LSE paper is a first attempt to look at the Local Authority impacts of the increases in trade barriers associated with Brexit. It says further work is needed to understand these impacts better and to understand the impacts working through other channels, such as migration and investment, and to understand the longer-term impacts as the economy adjusts.
- 4.15 In the Dover district, the dominant industries are located in the Construction (F) sector and the Professional, scientific and technical (M) sectors, which account for 14.4% of businesses each.

⁵² S. Dhingra, S Machin, H. Overman, The Local Economic Effects of Brexit: Centre for Economic Performance, The London School of Economics and Political Science (July 2017). Online at: <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

Table 1: Sector Specific Impacts (% change in GVA)

ID	WIOD Industry	<i>Soft Brexit (%)</i>	<i>Hard Brexit (%)</i>
1	Agriculture, Hunting, Forestry and Fishing	3.3	4.2
2	Mining and Quarrying	-7.3	-12.5
3	Food, Beverages and Tobacco	1.4	2.8
4	Textiles and Textile Products; Leather, Leather and Footwear	-6.8	-5.2
5	Wood and Products of Wood and Cork	9.9	15.9
6	Pulp, Paper, Paper , Printing and Publishing	3.5	6.3
7	Coke, Refined Petroleum and Nuclear Fuel	-0.5	-0.8
8	Chemicals and Chemical Products	-8.9	-15.1
9	Rubber and Plastics	-0.4	-0.7
10	Other Non-Metallic Mineral	0.2	0.2
11	Basic Metals and Fabricated Metal	0.5	5.1
12	Machinery, nec	-0.1	-0.2
13	Electrical and Optical Equipment	-9.5	-6.3
14	Transport Equipment	-0.5	-0.9
15	Manufacturing, nec; Recycling	0.9	2.5
16	Electricity, Gas and Water Supply	-1.1	-2.1
17	Construction	-1.4	-2.6
18	Retail Sale of Fuel; Wholesale Trade, Commission Trade, including Motor Vehicles & Motorcycles	-0.8	-1.6
19	Retail Trade, Except of Motor Vehicles & Motorcycles; Repair of Household Goods	-1.2	-2.3
20	Hotels and Restaurants	0.0	-0.2
21	Inland Transport	-0.6	-1.2
22	Water Transport	4.7	9.1
23	Air Transport	5.2	10.4
24	Other Supporting and Auxiliary Transport Activities; Activities of Travel Agencies	-1.3	-2.5
25	Post and Telecommunications	-1.8	-3.9
26	Financial Intermediation	-2.8	-6.2
27	Real Estate Activities	-1.4	-2.6
28	Renting of M&Eq and Other Business Activities	-1.7	-4.0
29	Education	-1.2	-2.2
30	Health and Social Work	-1.3	-2.4
31	Public Admin, Defence, Soc. Security & other Public Svc	-1.1	-2.3

Source: LSE – Local economic effects of Brexit.



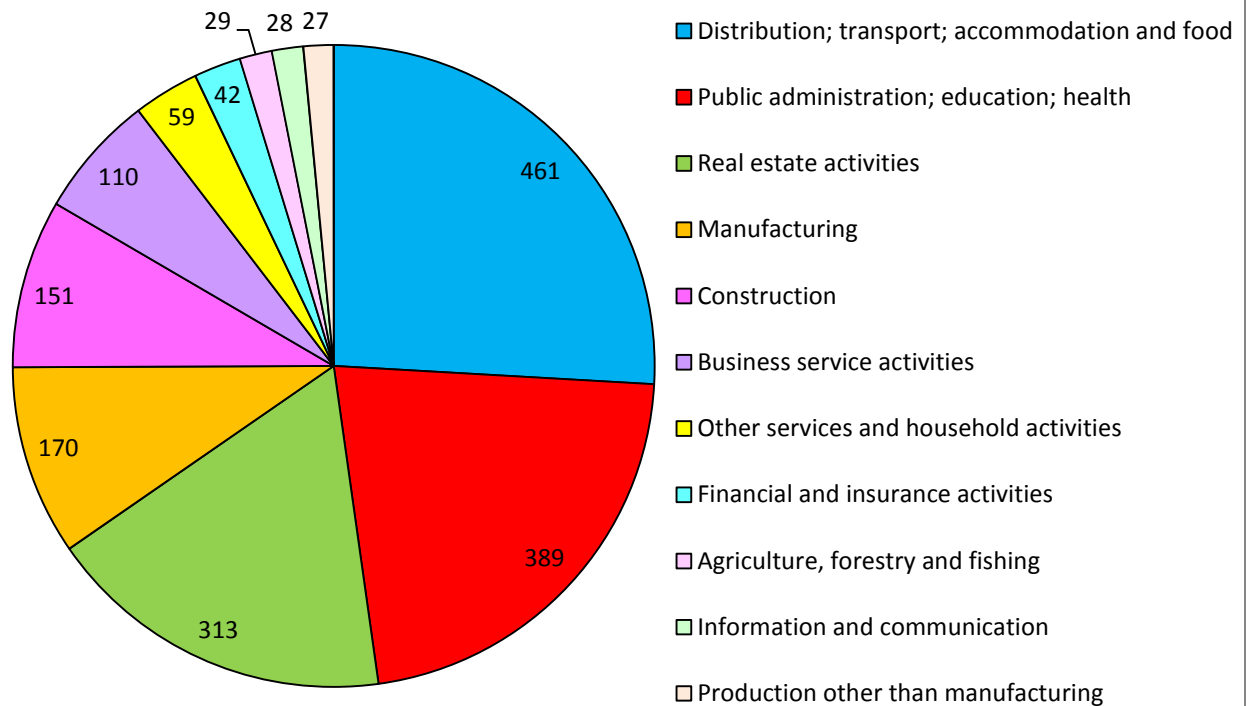
Source: Office for National Statistics dataset UKBAA01b - Enterprises⁵³

- 4.16 In the Dover district, the highest proportion of GVA was generated by the Distribution sector, accounting for over a quarter (26%) of the GVA generated in the district. This sector includes distribution, transport, accommodation and food.
- 4.17 Production other than manufacturing accounts for the smallest proportion of GVA generated in the district (1%)⁵⁴.

⁵³ Office for National Statistics, UK Business - activity, size and location. Online at: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

⁵⁴ Office for National Statistics, Regional GVA(I) by local authority in the UK (March 2017). Online at: <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgvaibylcalauthorityintheuk>

Distribution of GVA generation in the Dover district by industry, 2015
£ million

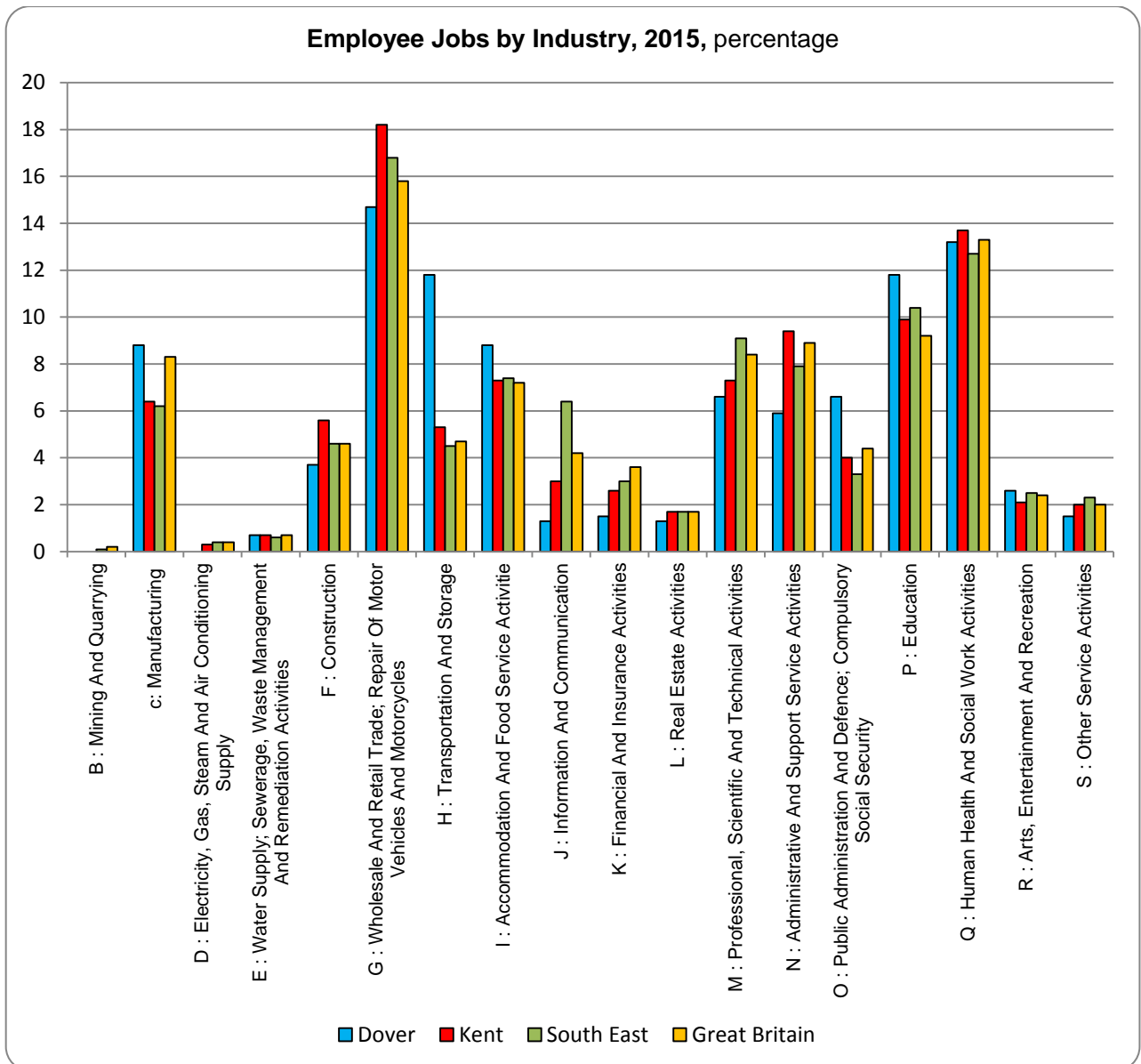


Source: Office for National Statistics, March 2017

Jobs in the district

- 4.18 As at March 2015, there were a total of 34,000 jobs in the Dover district (23,000 full-time and 11,000 part-time).
- 4.19 A significant majority of local firms (87.7%) in the Dover district are micro businesses employing between one and nine employees.
- 4.20 In terms of employment patterns, a majority of residents in the district are employed in the 'Services' industry (G-S), with 29,800 jobs (87.6%). The 'Public Admin, Education and Health' sectors (O-Q) employ 10,750 people (31.6%).
- 4.21 The percentage of employees in the 'Transport and Storage' industry in the district 11.8%, which is a significantly higher percentage than Kent (5.3%); South East (4.5%) and Great Britain (4.7%)⁵⁵.
- 4.22 At this point in time there is no data collated / available to give the number of EU employees in the Dover district.

⁵⁵ Office for National Statistics, NOMIS – Official Labour Market Statistics. Online at: <https://www.nomisweb.co.uk/>



Source: NOMIS (% is a proportion of total employee jobs (Employee jobs excludes self-employed, government-supported trainees and HM Forces). These figures exclude farm agriculture⁵⁶

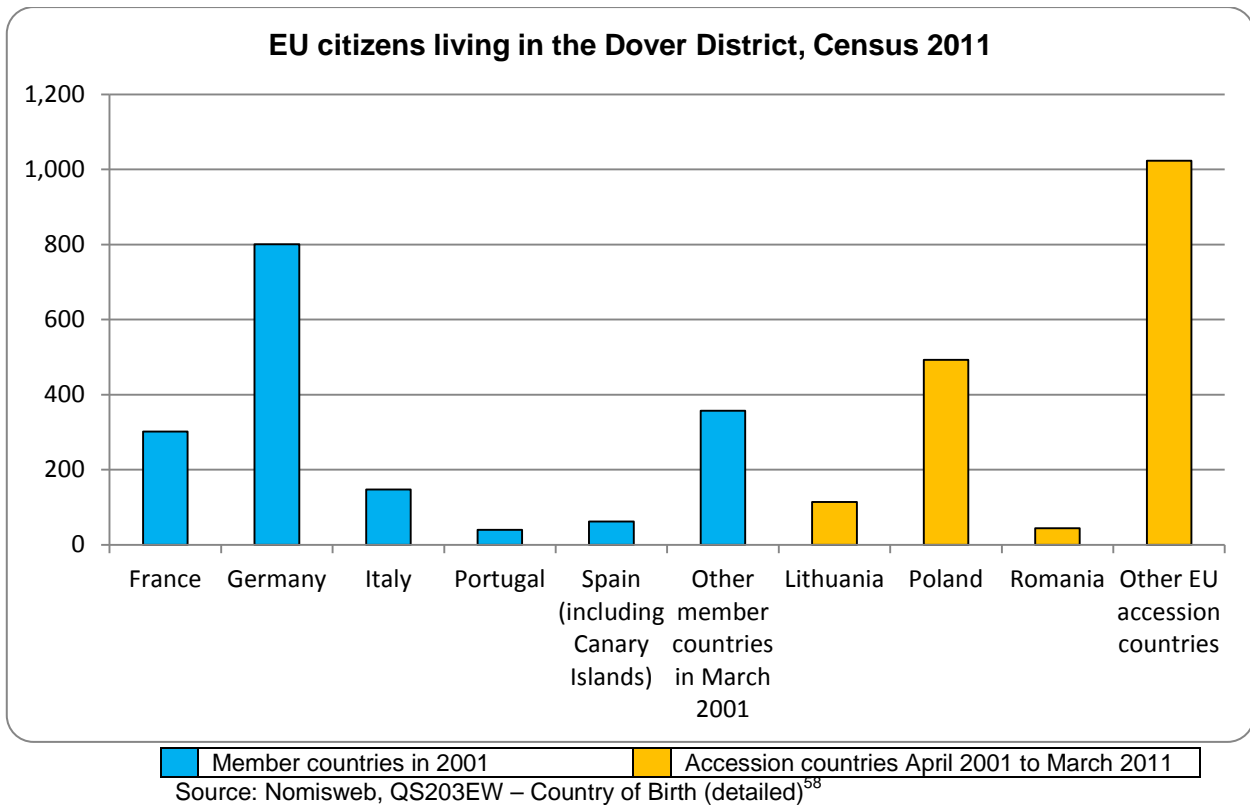
EU citizens living in the Dover district

Census 2011

4.24 The most accurate source of data on the UK population is the Census, which is conducted every 10 years. The most recent Census results showed that in March 2011, there were 3,383 people (3%) born in other EU countries living in the Dover district. This estimate covers all countries that were EU member states in 2011, so it does not include a small number of people born in Croatia, which joined the EU in July 2013⁵⁷.

⁵⁶ Office for National Statistics, NOMIS – Official Labour Market Statistics. Online at: <https://www.nomisweb.co.uk/>

⁵⁷ Office for National Statistics, 2011 Census. Online at: <https://www.ons.gov.uk/census/2011census>



Labour Force Survey estimates

- 4.25 The most recent estimates of the EU migrant population of the Dover district are available from the Labour Force Survey, and are published in an ONS annual statistical release on ‘Population by Country of Birth and Nationality’. According to these figures, between July 2016 to June 2017, there were around 2,000 (rounded to the nearest 1,000) people born in other EU countries living in the district. Figures for the population aged 16-64 years in the district are not available due to disclosure control⁵⁹.
- 4.26 Official data on the type of industries that EU nationals are working in in the district is not available. The table below shows estimates of the number of EU migrants employed in the UK by the industry section in their main job. These estimates are taken from the quarterly Labour Force Survey for Q1 2017.

⁵⁸ Office for National Statistics, NOMIS – Official Labour Market Statistics. Online at: <https://www.nomisweb.co.uk/census/2011/qs203ew>

⁵⁹ Office for National Statistics. Online at: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/populationoftheunitedkingdombycountryofbirthandnationality>

EU national workers by industry, Q1 2017

Industry section in main job	Number of EU national workers in section (000s)	EU national workers as % of all workers in section
Manufacturing	335	11.5%
Wholesale, retail, repair of vehicles	305	7.4%
Accommodation and food services	248	14.2%
Health and social work	211	5.0%
Construction	202	8.7%
Professional, scientific and technical activities	191	8.1%
Transport and storage	163	10.5%
Education	149	4.5%
Administrative and support services	144	9.3%
Information and communication	77	5.8%
Financial and insurance activities	70	5.8%
Other service activities	44	4.9%
Arts, entertainment and recreation	43	5.3%
Public administration and defence	40	2.1%
Agriculture, forestry and fishing	28	7.4%
Water supply, sewerage, waste	19	8.2%
Households as employers	15	25.7%
Real estate activities	10	2.7%
Electricity, gas, air conditioning supply	<10	3.1%
Mining and quarrying	<10	3.8%
Extraterritorial organisations	<10	6.9%
All in employment	2,308	7.3%

Notes: The figures show the industry section of EU national workers in their main job. They are estimates from survey data and are approximate. The Labour Force Survey covers the UK household population and excludes people living in some communal establishments.
Source: ONS, Labour Force Survey, Q1 2017

- Within the broad industry sections shown in this table, the industry divisions with the largest numbers of EU national workers were:
 - Retail (203,000),
 - Food and beverage service activities (186,000),
 - Education (149,000),
 - Manufacture of food products (116,000),
 - Human health activities (106,000), and
 - Construction of buildings (105,000)

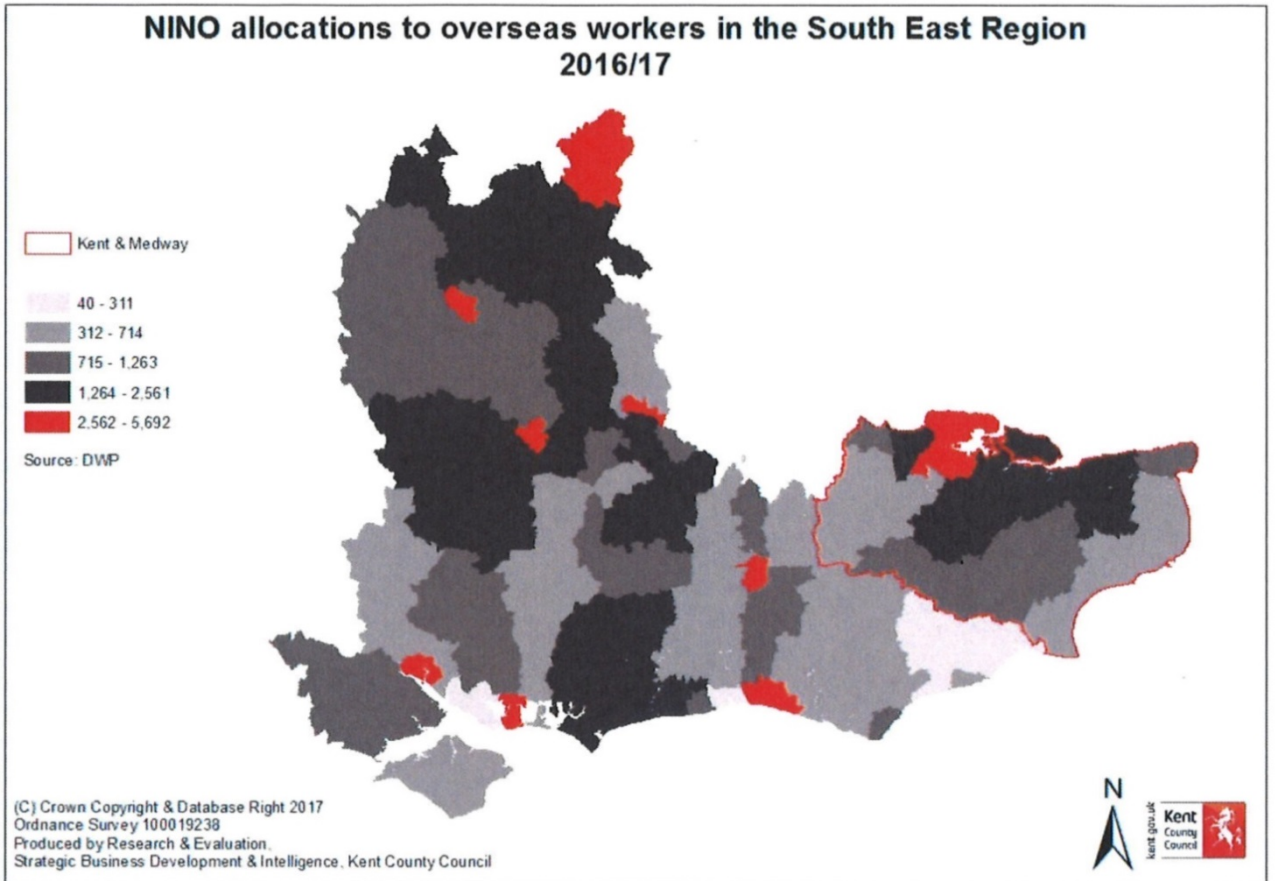
Source: House of Commons Briefing Paper – Migration Statistics⁶⁰

National Insurance Number (NINo) allocations

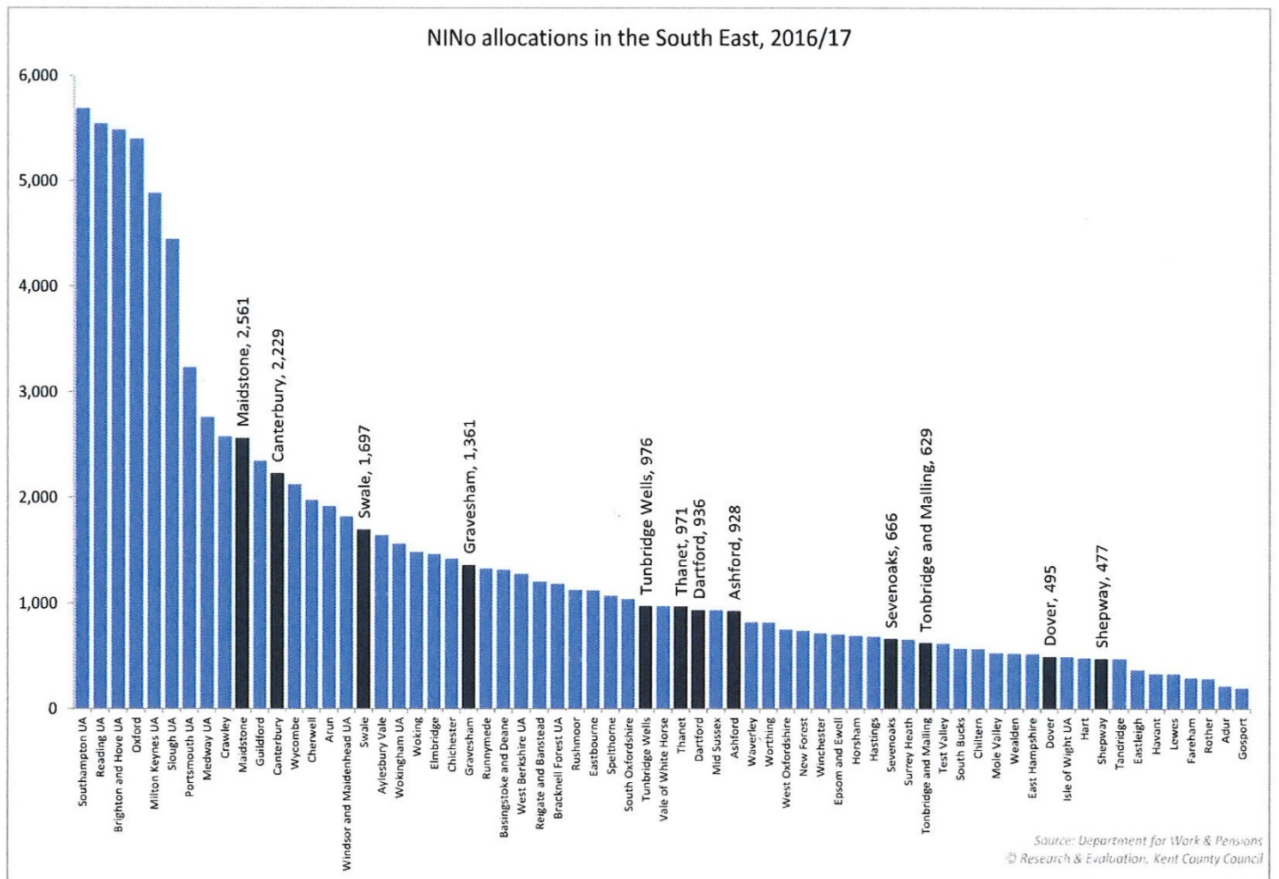
- 4.27 The number of new National Insurance Number (NINo) allocations to adult overseas nationals is used as a measure for the number of new migrant workers in an area.
- 4.28 The data shows only those who are entering the UK each year and not those currently in the UK or those who are leaving. It shows where the person was at time of registration and not their subsequent movements. It is therefore not possible to determine how many migrant workers there are in an area at any one time.
- 4.29 The following map shows the number of NINO allocations in each district and unitary authority in the South East region. Areas in red show the top 20% of English local authority districts with the highest number of new National Insurance Number allocations to overseas nationals.
- 4.30 The map shows that no Kent district was in the top 20% of local authorities in England with the highest NINo allocations; however, neighbouring Medway was within the top 20% in the country with 2,762 NINOs in 2016/17 and had the eighth highest number in the region 2016/17 % of new migrant workers⁶¹.

⁶⁰ House of Commons Briefing Paper – Migration Statistics (February 2018). Online at: <http://researchbriefings.files.parliament.uk/documents/SN06077/SN06077.pdf>

⁶¹ Migrant Workers in Kent (KCC Strategic Business Development & Intelligence) Published August 2017. Online at: <http://www.kent.gov.uk/about-the-council/information-and-data/Facts-and-figures-about-Kent/economy-and-employment>



Source: Migrant Workers in Kent (KCC Strategic Business Development & Intelligence). Published August 2017



- 4.31 There were 13,926 NINOs allocated in Kent in the year following the referendum. Maidstone district had the 10th highest number of NINOs in the South East in 2016/17 (2,561). Shepway and Dover districts had among the lowest allocations in the region with 477 and 495 NINOs respectively.
- 4.32 In the Dover district, there has been a -6.8% (-36) change in NINo allocations between 2015/16 and 2016/17. This compares to -5.4% change across Kent. Only one Kent district (Sevenoaks, +13 or +2%) among the thirty South East districts saw an increase in NINo allocations over the year.
- 4.33 When looking at long-term changes, the Dover district has seen an increase of +119% (+269) since 2002/03.
- 4.34 Nationally the highest proportion of NINo allocations was to workers from EU Accession States. This is also reflected in the South East region and in Kent as a whole.
- 4.35 In the Dover district workers from the EU Accession States accounted for more than two thirds (68.1%) of all new NINo allocations. In Kent, all districts had a higher proportion of new migrant workers from the EU Accession States than the England average of 47.0% with the exception of Shepway (45.1%).
- 4.36 NINo allocations to workers from the European Union (excluding Accession States) made up the second largest proportion of all those issued in the Dover district (15.4%).
- 4.37 When looking in more detail at the specific country of origin, the top country of origin in the Dover district was Romania (114), followed by Bulgaria (61) and Poland (55).
- 4.38 In 2016/17, the majority of new migrant workers in the Dover district (66.1%) were aged 34 and under at the time of registration. This is below the national average of 73.0%⁶².

Migration and access to skills

- 4.39 Government has committed to end free movement. All EU citizens in the UK at the point of leaving the EU will be able to remain although they may be required to be part of a new registration scheme.
- 4.40 If restrictions are imposed on migration then there is also a risk that labour and skills shortages will emerge. Some sectors are more heavily reliant on access to flexible, low skill workers from the EU than others. The industries that may see greater impact if overseas worker migration was restricted include agriculture, construction, hospitality and retail trade, health and care, and the scientific and technical sector.
- 4.41 With regards to the agriculture and horticulture sector, the Government has indicated that it does not feel Seasonal Agricultural Workers schemes is necessary but have undertaken to keep this under review and to consult widely with business about how access to skills can work following an end to free movement.
- 4.42 The construction industry is highly reliant on migrant labour; between 2007 and 2014, the proportion of EU migrants in the construction sector rose from 3.65% to 7.03%⁶³. Any

⁶² Migrant Workers in Kent (KCC Strategic Business Development & Intelligence) Published August 2017. Online at: <http://www.kent.gov.uk/about-the-council/information-and-data/Facts-and-figures-about-Kent/economy-and-employment>

⁶³ Royal Town Planning Institute. Online at <http://www.rtpi.org.uk/briefing-room/news-releases/2016/july/rtpi-overview-of-new-uk-government/>

restrictions on free movement could have an adverse impact on building costs and supply, at least in the short to medium term.

- 4.43 According to the Federation of Small Businesses (FSB), across the UK a fifth of small business employers have EU workers, with 72% recruiting them when they were already living in the UK. Its report, *A Skilful Exit: What small firms want from Brexit*⁶⁴, reveals that 59% of small businesses with EU workers are worried about being able to access the skills they need after the UK leaves the EU.
- 4.44 The Migration Advisory Committee, an advisory non-departmental public body, sponsored by the Home Office,⁶⁵ which is considering the impacts of Brexit on the UK labour market and will be making recommendations on how to better align the visa system to the needs of employers. It is expected to report its findings by September 2018.

Rural Economy

- 4.45 The Dover district is predominately-rural (79.3%)⁶⁶, with a very rich landscape, comprising coastal cliffs and marshes, orchards and arable lands and the rolling chalk downs with numerous ancient woodlands and valleys.
- 4.46 For the rural economy, a major concern of Brexit is the loss of EU subsidies. The government has promised an Agriculture Bill to replace the Common Agriculture Policy (CAP), which has guided EU funding and policy, up until now.
- 4.47 Therefore, the impact on Dover's land-based industries including farming and growers will depend on the level of subsidies from the EU's Common Agricultural Policy will be compensated by central government.
- 4.48 The loss of EU labour is also a reported concern for the rural economy, which has been wholly dependent on cheap labour from Central and Eastern Europe since 2004⁶⁷.
- 4.49 Farming is worth £5.4bn to Kent's economy⁶⁸, with an estimated 20,000 seasonal agricultural workers employed in Kent. Uncertainty about changes to immigration is already reported to be having an impact on seasonal workers' intentions to return for work in Kent farms.
- 4.50 Mutual recognition of food regulations between the UK and EU will be essential to ensure continued trade in food and drink. Without this, our exports to the EU will automatically face complex documentary and physical inspection requirements, which would make exporting more difficult and costly for UK producers. The absence of a regulatory agreement could amplify these issues in some EU Member States as it could result in a greater risk of protectionism via the use of non-tariff barriers to trade.

⁶⁴ FSB, *A Skilful Exit: What small firms want from Brexit* (April 2017). Online at: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/a-skilful-exit--what-small-firms-want-from-brexit.pdf?sfvrsn=0>

⁶⁵ Migration Advisory Committee. Online at: <https://www.gov.uk/government/organisations/migration-advisory-committee>

⁶⁶ According to the ONS 2011 Rural Urban Classification for Small Geographies. Online at: <https://www.ons.gov.uk/methodology/geography/geographicalproducts/ruralurbanclassifications/2011ruralurbanclassification>

⁶⁷ A. Hadfield, M Hammond, Centre for European Studies, Canterbury Christ Church University, Kent And Medway: *Making A Success Of Brexit A Sectoral Appraisal Of Small And Medium Sized Enterprises And The Rural Economy* (July 2017). Online at: <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/Making-A-Success-of-Brexit-20-July-2017.pdf>

⁶⁸ Kent Rural PLC. Online at: <https://ruralplc.com/>

Local Business Readiness

- 4.51 For local businesses, it is assumed that one of the major concerns will be the difficulty in preparing for leaving the EU, as there is still much to be negotiated and what it will mean in practice.
- 4.52 Local businesses will need business support services to adapt to new regulatory and legislative changes and explore international trading opportunities. This could be delivered by local councils, with funding from Government.
- 4.53 There is limited data available at a district level to help us assess the likely impact of Brexit on local businesses. We therefore recommend that we either:
- Carry out a survey of businesses in the Dover district on the challenges and opportunities of Brexit or
 - Include a small number of Brexit questions in the forthcoming Local Business Survey being undertaken as part of the Local Plan.
- 4.55 This will be a useful way of gaining insight into the:
- Level of trade that exists between the EU and employers in the district
 - Concerns regarding access to skills
 - Local reliance on EU funding
 - Support needed to prepare for changes to the regulatory and legal framework (for example, changes to customs, exports and public protection standards)
 - New market opportunities.

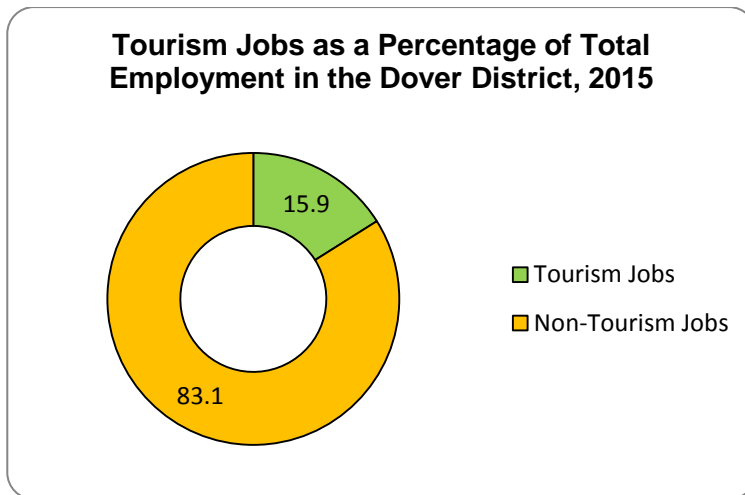
5. Tourism

- 5.1 The visitor economy is one of this country's fastest growing economic sectors and there is significant growth potential for the Dover district. Nationally, tourism industries employ nearly 3 million people, making it the third largest employer, accounting for 9.5% of total employment⁶⁹. It is predicted to grow by an annual average of 2.9% over the next decade. This is more than the overall economy (2.5%) and outpaces nearly every other sector⁷⁰.
- 5.2 According to the most recent tourism research⁷¹, commissioned by Visit Kent, the total economic impact of tourism in the Dover District in 2015 was £264,821,200. This is an increase of +6.6% compared to the last survey for 2013. The total number of actual tourism related employment rose by +8.2% to 5,562.

⁶⁹ UK Tourism Statistics 2016, Tourism Alliance (n.d.). Online at: http://www.tourismalliance.com/downloads/TA_390_415.pdf

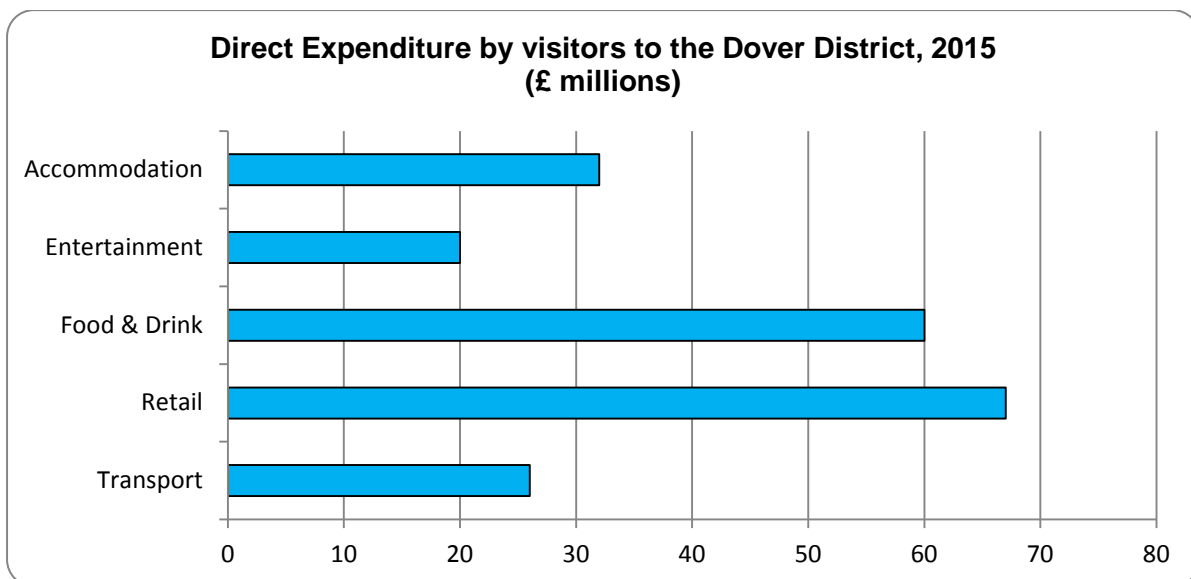
⁷⁰ LGA Local Solutions: boosting the visitor economy (July 2016). Online at: <https://www.local.gov.uk/sites/default/files/documents/local-solutions-boosting--494.pdf>

⁷¹ Visit Kent, Destination Research Economic Impact of Tourism, Dover – 2015 Results (2016). Online at: https://www.visitkentbusiness.co.uk/library/Economic_Impact_of_Tourism_-_Dover_2015_FINAL_REPORT.PDF



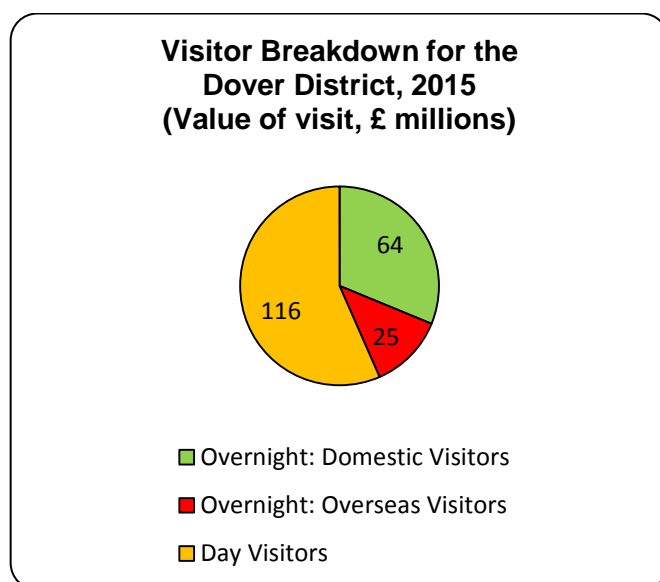
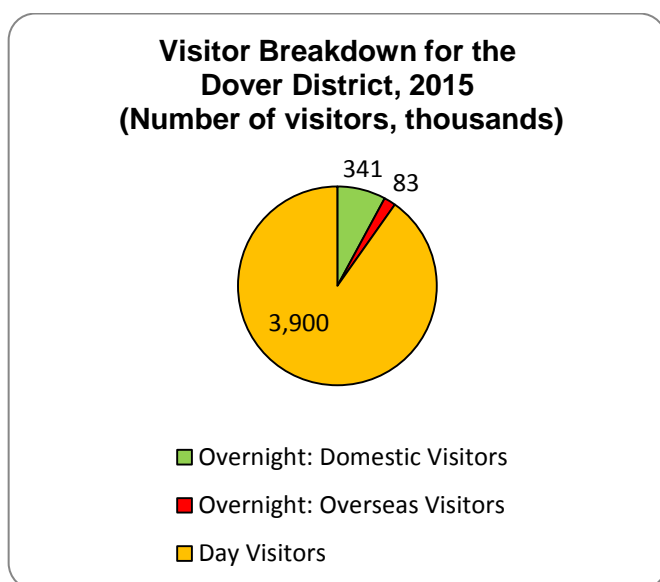
Source: Destination Research Economic Impact of Tourism, Dover – 2015 (published 2016)

- 5.3 Between 2013 and 2015, there has been a +8.2% increase in tourism related jobs in the Dover district. This compares to +5.9% across Kent.
- 5.4 It is estimated that the tourism industry provides 5,562 jobs in the district, which equates to 15.9% of total employment.
- 5.5 The value of the visitor economy in the Dover District increased by 6.6% between 2013 and 2015. This compares to 4.8% across Kent.
- 5.6 The tourism industry is characterised by its diversity. Over 80% of the accommodation, hospitality and attractions that welcome domestic and overseas visitors are small or medium sized enterprises (SMEs) and many are family owned.
- 5.7 Tourism is recognised as having a significant multiplier effect on the economy, which makes it a strong driver for growth.
- 5.8 Money spent directly purchasing tourism goods and services has spill over benefits through the wider supply chain and consumer spending that arises from direct tourism expenditure.



Source: Destination Research Economic Impact of Tourism, Dover – 2015 (published 2016)

- 5.9 The Kent and Medway region attracts a significant number of visitors from overseas each year. A greater proportion of visitors arrive from EU member-states (77%) than the national average (67%) owing to our proximity to the European continent and its usefulness as a waystation for travellers heading to London and beyond.
- 5.10 Visit Kent, the official Destination Management Organisation for Kent and Medway, engages with audiences both nationally and internationally with 2 for 1 campaigns in partnership with businesses including the ferry operators. They have also been targeting French, Dutch and German visitors via Facebook.



Source: Destination Research Economic Impact of Tourism, Dover – 2015 (published December 2016)

- 5.11 In addition to being one of the UK's main trade gateways with Europe, and the busiest passenger port in Europe, the Port of Dover is also a hub port for cruise lines in the South East of England, with over 25 different cruise lines operating out of the Port. It is one of the busiest cruise ports in Britain and Northern Europe and welcomes more than 200,000 cruise passengers every year.
- 5.12 Dover marina, with 400 berths in three berthing areas, is a member of TransEurope Marinas, welcoming yachtsmen and boaters from across the Channel⁷².
- 5.13 Visit Kent⁷³, in partnership, has also successfully secured EU funding through the Interreg programmes such as the current PROFIT project to help SMEs increase productivity, diversify and innovate and GO TRADE, which celebrates our market towns.
- 5.14 There are several risks identifiable to the tourism sector of a British exit from the EU, which may adversely affect the number of visitors to the region from EU member-states.
- 5.15 The most important concerns the effects of the re-imposition of customs controls that may accompany a British withdrawal. Visitors from Europe may be less inclined to holiday in the UK if the time, costs and restrictions on entering the country are increased, especially if they are able to travel within neighbouring countries easier.

⁷² Dover Harbour Board. Online at <https://www.doverport.co.uk/marina/>

⁷³ Visit Kent. Online at: <https://www.visitkent.co.uk>

- 5.16 Post-Brexit the free flow of goods and visitors is vital. The visitor economy lost over 1m per day during Operation Stack in 2016 (not including the reputational damage caused)⁷⁴.
- 5.17 Moreover, visitors may also be dissuaded from coming to the UK by the perceived rise of anti-foreigner sentiment in the country that has accompanied the referendum campaign.
- 5.18 A significant decline in the number of visitors from EU countries will hit the tourist industry hard, given that individuals from these states make up a significant majority of visitors to the district. The likely outcome will be a reduction in income and jobs in the tourism sector and allied industries.
- 5.19 There will also be direct effects on Dover residents: If customs restrictions are re-imposed and cross-border travel made slower, the marginal benefits of short breaks to the continent will decrease.
- 5.20 The tourism industry relies heavily on European and migrant labour, and concerns regarding labour availability and attracting home-grown talent, with the necessary skills, have been raised.
- 5.21 The recent “Sandhurst Summit”⁷⁵ recognised the importance for economic development and cross-border cooperation. Paragraph 54 commits the UK and France to work together to support the economic development of the Calais and Dover regions, to establish a working group on common projects and support the promotion of business and tourism.

Digital, Culture, Media and Sport Committee

- 5.22 In January 2018, the Digital, Culture, Media and Sport Committee published a report on the potential impact of Brexit on the creative industries, tourism and the digital single market, following an inquiry by its predecessor committee which was dissolved due to the general election in 2017⁷⁶.
- 5.23 It themed its findings under three headings: Workforce; Loss of direct EU funding; and Future regulatory environment:

1. Workforce

- The Committee found a lack of consistent data about the reliance of different sectors on workers from the EU-27. Sector representatives believed that the official figures underestimate the true total. For example, the Office for National Statistics (ONS) estimates 10% of the tourism workforce are EU-27 nationals whereas UK inbound, the tourism sector body, believes the proportion is above 15%, rising to 40% in London and the south east. There are similar regional variations in other sectors.
- Key challenges for the sectors include recruitment difficulties, future immigration arrangements, shortage of skills in the domestic workforce (for example language skills). Although there is an opportunity to upskill British workers, this was not considered a short-term solution.

⁷⁴ Visit Kent. Online at: <https://www.visitkent.co.uk>

⁷⁵ GOV.UK news. Online at: <https://www.gov.uk/government/publications/uk-france-summit-2018-documents>

⁷⁶ House of Commons Digital, Culture, Media and Sport Committee, The potential impact of Brexit on the creative industries, tourism and the digital single market. Online at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmcmds/365/365.pdf>

2. EU Funding

- The Digital, Culture, Media and Sport Committee found that the UK has been a recipient of significant European funding, for example the Creative Europe programme. Although non-EU countries can still participate in this particular programme, they must accept free movement of people, which the UK government has rejected.
- The Committee recommended the government carry out a full mapping exercise of direct and indirect funding streams that support these sectors and clarify which funds will be replaced and the criteria that would be applied.

3. Regulatory

- The Committee's focus was on common rules on data protection, copyright and VAT. The tourism sector also raised concerns over aviation agreements, for example, the EU-US 'open skies' agreement, and lack of detail after March 2019.

5.24 The likely impact of Brexit is unclear because so many critical issues are still subject to negotiation. The effects are likely to be felt differently in different parts of the country – smaller British cities and rural areas may experience more effects that are negative. The committee called on the government to provide clarity and to ensure the issues are reflected in its negotiations. The problem for the government is that all sectors have their own demands, technical issues and regulations on which they need certainty, illustrating the complexity and scale of the task of leaving the EU.

6. Funding

EU Funding Overview

6.1 A large number of European Union (EU) programmes offer financial support for projects helping to deliver economic, social or environmental benefits. Eligible organisations can apply for funding for projects under many of these funding programmes.

6.2 EU funding programmes operate in 7-year cycles. The current cycle runs from 2014 to 2020.

6.3 There are 3 main types of EU funding:

1. Thematic, Europe wide programmes

Most of these programmes require multi-national partnerships and focus on particular topics such as art and culture, education and vocational training, enterprise and innovation, environment and nature, research and transport.

2. Geographically targeted funding

EU INTERREG programmes aim to help regions and cities from different EU member states to work together. They aim to break down barriers and enable organisations to learn from each other through joint programmes, projects and networks under a variety of themes.

Organisations from Kent can apply for joint projects under five different INTERREG Programmes⁷⁷:

- [The Interreg 5A 2 Seas Cross-Border Co-operation Programme](#)

Key topics: Technological and social innovation, low carbon technologies, adaptation to climate change, resource efficient economy.

⁷⁷ Kent County Council, EU funding explained. Online at: <https://www.kent.gov.uk/business/business-loans-and-funding/eu-funding/eu-funding-explained#tab-2>

- [The Interreg 5A France Channel England Cross-Border Co-operation Programme](#)
Key topics: Innovation for economic and societal issues, low carbon economy, attractiveness of the region, balanced and inclusive development.
- [The Interreg 5B North Sea Region Transnational Co-operation Programme](#)
Key topics: Economic growth, eco-innovation and green technology, climate change and environment, green transport and mobility.
- [The Interreg 5B North West Europe Transnational Co-operation Programme](#)
Key topics: Social innovation, low carbon, resource and materials efficient.
- [The Interreg Europe Interregional Co-operation Programme](#)
Key topics: Research and innovation, SME competitiveness, low carbon economy, environment and resource efficiency.

3. Nationally-run EU Funding Programmes

Some EU programmes are run on a national basis and do not require international partnerships. For 2014-20, most of the available funds for England have been allocated to Local Enterprise Partnerships (LEP) areas under the European Structural Investment Fund⁷⁸ (ESIF). The South East LEP ESIF programme covers innovation and research, support for SMEs, low carbon, skills and employment and social inclusion.

EU Structural Funding

- 6.4 EU structural funding has, since the UK joined the EU, co-financed critical projects to grow local economies, support people in jobs, enable businesses to start up and grow, and support people to develop their skills to meet the needs of the local economy.
- 6.5 The LGA estimates that a potential funding gap of €10.5 billion (c. £8.4 billion) for local government will open immediately from the point the UK officially exist the EU, unless a viable domestic successor to EU structural funding is implemented⁷⁹.
- 6.6 The European Structural and Investment Funds ('ESIF') comprise three main Funds:
1. European Regional Development Fund (ERDF) supports innovation, SME competitiveness and the development of a low carbon economy.
 2. European Social Fund (ESF) enables employability and skills support and social inclusion projects.
 3. European Agricultural Fund for Rural Development (EAFRD) supports the growth of the land-based economy.
- 6.7 The UK was due to receive some £5.3 billion in European Union structural funds in the 2014-2020 programming period. Areas benefiting from structural funds have demanded that the Government should ensure that equivalent sums continue to be invested in their areas.

South East

- 6.8 The South East LEP (Local Enterprise Partnership) has an indicative allocation of £160 million of Structural Funds from the EU, which was awarded by the Government for the 2014 – 2020 EU funding period. This is made up of £74.2m ERDF (European Regional Development

⁷⁸ GOV.UK, European Structural and Investment Funds. Online at: <https://www.gov.uk/european-structural-investment-funds>

⁷⁹ Local Government Association, Beyond Brexit: Future of funding currently sourced from the EU. Online at: https://www.local.gov.uk/sites/default/files/documents/2017-07_Beyond%20Brexit%20-%20LGA%20Discussion%20%28FINAL%29_0.pdf

Fund); £71.6m ESF (European Social Fund); and £14.5m EAFRD (European Agricultural Fund for Rural Development)⁸⁰.

Kent

- 6.9 Kent County Council has a strong record of accomplishment of securing access to EU funding, which the district benefits from. A report to the Growth, Economic Development and Communities Cabinet Committee in July 2016 on the Impact of the EU Referendum on European Funding⁸¹ indicated that a total of £52.62m had been secured for the 2014-2020 programming period, including £42.3m for the Port of Dover and £5.3m for the LEADER programme⁸² in West Kent, East Kent and Mid Kent.
- 6.10 Since 2014, over £200m of EU grants and loans have come into Kent-based organisations.

Programming Period 2014-2020, (KCC / Kent Funding secured to July 2016)

Programme	Coverage	Amount (£m)
Interreg 5A '2 Seas'	County-wide	0.43
Interreg 5A 'Channel'	County-wide	
Interreg 5B 'North Sea'	County-wide	
Interreg 5B 'North West Europe'	County-wide	
Interreg 'Europe'	County-wide	0.22
South East LEP 'ESIF' (ERDF)	Kent and Medway	4.30
South East LEP 'ESIF' (ESF)	Kent and Medway	
South East LEP 'ESIF' (EAFRD)	Kent & Medway	0.07
Connecting Europe Facility	Port of Dover	42.30
LEADER	West Kent, Mid-Kent, East Kent	5.30
Total		52.62

- 6.11 Given national cuts to local authorities' funding, ESIF Funds have been important for the delivery of KCC's core priorities through a range of co-financed projects and have represented longer term funding streams for the Council.
- 6.12 Kent County Council may also be funding projects in the district from EU funding sources, which could therefore stop or reduce.

Dover District

- 6.13 It is difficult to pinpoint exact figures and the number of businesses in the district that have or are receiving funding from the EU.
- 6.14 Connecting Europe Facility: The Port of Dover has received funding as follows:
- BRIDGE (Building the Resilience of International & Dependent Gateways in Europe): £18,900,000 for Maritime and civil works – including new quay walls, dredging, land reclamation to create additional freight vehicle capacity.
 - BRIDGE - Motorways of the Sea II:

⁸⁰ South East LEP European Structural Funds. Online at:

<http://www.southeastlep.com/european-funding/european-structural-funding>

⁸¹ Kent County Council, Impact of the EU Referendum on European Funding. Online at:

<https://democracy.kent.gov.uk/documents/s70051/Item%20C3%20-%20Impact%20of%20the%20EU%20Referendum%20on%20European%20Funding.pdf>

⁸² The LEADER programme is a European Union initiative to support rural development projects initiated at the local level

in order to revitalise rural areas and create jobs

£23,450,000 for Financing of refrigerated cargo terminal in Dover and relocation of cargo operations to initiate port-centric distribution and utilise empty backloads.

Future Funding Arrangements

- 6.15 Brexit creates an opportunity for a streamlined model to replace EU funding and support growth based on local need.
- 6.16 The Government has confirmed that all signed structural fund projects are guaranteed funding up to the point when the UK departs the EU – even when these projects continue after we have left. Projects will have to demonstrate good value for money and be in line with domestic strategic priorities⁸³.

UK Shared Prosperity Fund

- 6.17 The Government has also committed to creating a UK Shared Prosperity Fund (UKSPF) to replace EU economic aid. There are no further details available regarding the criteria for this, how much will be allocated to it, the relationship it may have with the Local Growth Fund, whether the EU principle of match funding will apply, or what outcomes the Government expects from this. In January 2018, the Government has pledged to consult widely on the design of the UKSPF and has asked LEPs to lead on regional responses; the consultation is expected later this year.
- 6.18 However, the Conservatives' manifesto in May said that the UKSPF would be "...specifically designed to reduce inequalities between communities. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy. The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most."
- 6.19 Whether and to what extent EU funding would be replaced will depend on factors such as the health of the economy as a whole and the spending priorities of the government of the day.
Industrial Strategy White Paper
- 6.20 The [Industrial Strategy White Paper](#), published late November 2017, reiterates that the government will ensure that local areas continue to receive flexible funding for their local needs. The White Paper outlines five foundations of productivity: Ideas; People; Infrastructure; Business environment; and Place.
- 6.21 Local industrial strategies are central to this focus. A local industrial strategy (LIS) should bring together a well-informed evidence base about an area's economy and outline a long-term set of priorities that capitalise on existing opportunities in the economy, address weaknesses and resolve an area's needs.
- 6.22 In areas without an elected metro mayor, the LIS will be led by the local LEP. LEP's currently develop Strategic Economic Plans (SEPs) to define local economic strategy and access the Government's Local Growth Fund. LISs have a wider remit and place focus and will involve more institutions. Areas will need to build on their SEPs to develop their respective LISs, which will need to be agreed in partnership with the Government.
- 6.23 The [South East LEP SEP](#)⁸⁴ is currently being renewed and SELEP has been consulting with a range of public and private stakeholders. The aim is to publish the SEP early 2018.

⁸³ GOV.UK news. Online at: <https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

⁸⁴ South East LEP, SEP. Online at: <http://www.southeastlep.com/strategic-economic-plan>

- 6.24 Given the increased responsibility and need to deliver, LEPs will be reviewed and reformed accordingly. The government says it will make additional financial resources available following its review of LEPs. The review will look at leadership, governance, accountability and geographic boundaries to give LEPs a clearly defined set of activities, objectives and responsibilities.
- 6.25 The White Paper has a stated aim of delivering the first LISs by March 2019, with Greater Manchester and the West Midlands Combined Authority leading the way.
- 6.26 The White Paper says that LISs will guide how devolved funding streams will be used; this includes the UK Shared Prosperity Fund. Other funds are expected to be included such as the £115m Strength in Places Fund.
- 6.27 The 2015 Growth and Infrastructure Framework for Kent and Medway is currently being refreshed: this will provide a picture of housing and infrastructure requirements based on forecasts of population for Kent and Medway and for each district in the county. These population forecasts and consequential housing needs will be projected to 2031; the refreshed GIF will also suggest different growth scenarios for up to 2050.
- 6.28 In November 2017, Kent County Council set out its plan to develop an Enterprise and Productivity Strategy, to improve Kent' overall standard of living over the next 30-years. KCC is expected to consult on the strategy in autumn 2018.
- 6.29 All these plans will need to align to the LIS.

LGA

- 6.30 The LGA report 'Beyond Brexit'⁸⁵ has an in-depth analysis of a number of options to inform the design and delivery of the UKSPF.

Other Funding

- 6.31 In the November 2016 Autumn Statement, the Government announced the creation of a National Productivity Investment Fund (NPIF), pledging to spend £23 billion over the course of the four years from 2017/18 to 2021/22. The investment would be spread across four main areas: housing, transport, digital communications, and research and development (R&D). The spending programme, to be funded through additional borrowing, would provide the fiscal stimulus to tackle the UK's poor productivity and lower growth forecasts, resulting from Brexit.
- 6.32 In January 2018, the Government advised that an additional £2bn over next 2-years for departments to prepare for legislative transition. However, to-date, no further details are available as to exactly what type of Brexit preparations this would fund.

European Investment Bank

- 6.33 The European Investment Bank (EIB) has invested some €42 billion in the UK over the past ten years. Membership of the EU is not required to access loans, but it may lead to greater requirements for guarantees and potentially a more onerous application process.

⁸⁵ Local Government Association, Beyond Brexit: Future of funding currently sourced from the EU. Online at: https://www.local.gov.uk/sites/default/files/documents/2017-07_Beyond%20Brexit%20-%20LGA%20Discussion%20%28FINAL%29_0.pdf

Financial Impacts for local government

Local Government Budgets

- 6.34 Most economic forecasts suggest that Brexit will have a negative impact on UK GDP. If there is such an impact, this could have a knock-on effect on local government revenue. This is because changes to how local government raises finance may make revenue coming in increasingly sensitive to the health of the local economy. The changes underway include a reduction in central government grants, councils raising more revenue from council tax and, in the long-term, retaining all business rate revenue locally. Councils will become more exposed to falls in tax revenue resulting from economic downturns. The difficulty of forecasting may also increase, making long-term financial planning trickier.
- 6.35 The council will be affected by additional financial pressures as a result of changes to the prices of goods, tariffs, inflation, interest rates and sterling value. There is already some evidence of rising costs and markets pricing for uncertainty.
- 6.36 Rising costs could also affect essential capital infrastructure projects or our tendering of major contracts.

Affordable Homes

- 6.37 The construction industry has warned about the impact of prolonged uncertainty on house prices and the cost of borrowing. The industry is highly reliant on migrant labour; between 2007 and 2014, the proportion of EU migrants in the construction sector rose from 3.65% to 7.03%⁸⁶. Limits on free movement therefore could have an adverse impact on building costs and supply, at least in the short to medium term.

Credit ratings

- 6.38 Four local authorities who hold credit ratings from Moody's – Cornwall, Birmingham, Guildford, and Wandsworth – have seen them downgraded from AAA to AA1. Lancashire was cut from AA1 to AA2. Transport for London has also seen its credit rating downgraded. A number of housing associations have also seen their credit ratings downgraded by one-step by both Moody's and Standard & Poor's.

7. EU Legislation

- 7.1 Since the triggering of Article 50, the Government has unveiled eight 'Brexit Bills' including the EU (Withdrawal), Customs, Trade, Immigration, Fisheries and Agriculture Bills. These have been followed by a series of policy papers, including:
- A White Paper on the EU (Withdrawal) Bill which outlined plans to transfer EU legislation into the UK statute, subject to review by Ministers using 'Henry VIII powers' to amend secondary legislation without an Act of Parliament.
 - White Papers on the Trade & Customs Bills outlining potential contingency arrangements in the event of no deal and the announcement of £3bn for Brexit contingency planning in the Autumn Budget.

⁸⁶ National Housing Federation Briefing: The vote to leave the EU. Online at: http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/The_vote_to_leave_the_EU_-_considerations_for_housing_associations_-_26_July.pdf

- A series of position and future partnership papers on a range of issues including EU & UK citizens' rights, foreign policy, defence and development and collaboration on science and innovation.

Repatriation of EU powers

- 7.2 The White Paper Legislating for the UK's withdrawal from the EU⁸⁷ states that Brexit is an opportunity to ensure returning 'power sits closer to the people of the UK than ever before'. It includes a commitment to continue to champion devolution to local government.
- 7.3 The White Paper says there are believed to be 12,000 EU regulations (one type of EU law) in force, while Parliament has passed 7,900 statutory instruments implementing EU legislation and 186 Acts that incorporate a degree of EU influence. The total body of European law dates back to 1958 and binds all member states. In 2010, it was estimated to consist of about 80,000 items, covering everything from workers' rights to environment and trade. As well as regulations, this includes EU treaties, directions and European Court of Justice Rulings. New EU legislation is being created all the time and will continue to apply to the UK until it leaves.
- 7.4 If passed, the EU Withdrawal Bill⁸⁸ (or "Great Repeal Bill" as it was originally called) will end the primacy of EU law in the UK. The Bill is supposed to incorporate all EU legislation into UK law in one lump, after which the government will decide, over a period of time, which parts to keep, change or remove.
- 7.5 Not all of this can be done through the EU Withdrawal Bill, so the government plans to create powers to "correct the statute book where necessary". This power - known as Henry VIII power - is the one of the most controversial features of the Bill and the Government is facing claims from MPs that it is giving itself sweeping powers to change legislation without proper Parliamentary scrutiny.
- 7.6 The UK Government is in dispute with the Scottish and Welsh Governments over Clause 11 of the EU Withdrawal Bill. The clause prevents the devolved administrations from modifying 'retained EU law', the term for all the European legislation the bill will bring into domestic law. The effect would be that all powers exercised in Brussels return to Westminster, at least initially, giving the UK Parliament the ability to create binding legal frameworks in place of EU law.
- 7.7 The Bill completed its passage through the House of Commons on 17 January 2018 and is now progressing through the House of Lords. The Institute of Government (IoG) estimates that the Lords will probably conclude their consideration of the EU Withdrawal Bill by May, before sending any proposed amendments to the Commons⁸⁹. If this timetable is kept, the Bill should receive Royal Assent by the summer recess. This would allow seven months for all the necessary secondary legislation before exit day (although the IoG points out that this timetable could prove optimistic, as the Government does not control timetabling in the Lords).
- 7.8 More complications are presented by the government's negotiations with the EU, which will be taking place while the bill is passing through Parliament.

⁸⁷ GOV.UK publication. Online at: <https://www.gov.uk/government/publications/the-repeal-bill-white-paper>

⁸⁸ UK Parliament. Online at: <https://services.parliament.uk/bills/2017-19/europeanunionwithdrawal.html>

⁸⁹ Institute of Government. Online at: <https://www.instituteforgovernment.org.uk/explainers/eu-withdrawal-bill-amendments-and-debates>

- 7.9 In January 2018, the Government advised that an additional £2bn over next 2-years for departments to prepare for legislative transition. However, to-date, no further details are available as to exactly what type of Brexit preparations this would fund.

Legislative Impacts for Local Government

- 7.10 Local government carries out statutory and discretionary services. European legislation affects the delivery of several local services areas, for example the environment where European legislation impacts locally on areas such as major planning schemes and waste. Other European legislation, such as procurement or state aid rules, affects how local authorities commission and deliver services.
- 7.11 The impact of Brexit on the regulatory environment in which local government operates will depend on the shape of the degree of access to the single market negotiated for the UK's future relationship with the EU and how the government decides how to replace those EU laws that affect local government.
- 7.12 Currently, UK local government has a formal advisory role in the EU law and policy-making process through its membership of the EU Committee of the Regions. It must be formally consulted on a wide range of relevant issues, and has the right to bring actions before the European Court of Justice if the appropriate mandatory consultation process has been ignored or if due regard has not been given to the principles of subsidiarity and proportionality. Therefore, the Committee has the effective power to block EU legislation, although this power has not been exercised to date.
- 7.13 The LGA says it is of fundamental importance to replicate this advisory role for local government in the UK post-exit, without creating new bureaucracies, to develop effective legislation. In January 2018, Sajid Javid advised that the Government is considering a domestic alternative to the Committee of the Regions.
- 7.14 The LGA has scoped out the relevant legislation for local government that could affect councils and it is recommended that we form an internal working-group to assess the local impact of these.

General Observations

Waste collection and disposal

- 7.15 The key piece of current EU legislation is the Waste Framework Directive, which sets out key definitions and duties relating to how waste must be collected, transported, recovered and disposed of. It also introduced recycling and recovery targets to be achieved by 2020. A detailed summary of current waste legislation applicable in the UK is set out on the GOV.UK guidance page on waste legislation⁹⁰.
- 7.16 It is also important to note that, in April 2018, the European Parliament approved the Circular Economy Package⁹¹. The main features of the package are:
- Municipal waste recycling target: 55% by 2025, 65% by 2035
 - No more than 10% landfilling by 2035
 - Separate collection of textiles and hazardous waste

⁹⁰ GOV.UK publication. Online at: <https://www.gov.uk/guidance/waste-legislation-and-regulations>

⁹¹ European Parliament news: Online at: <https://www.europarl.europa.eu/news/en/press-room/20180411IPR01518/circular-economy-more-recycling-of-household-waste-less-landfilling>

- 7.17 Even though the UK is to leave the European Union, the government has already said it is set to include the Circular Economy measures within UK policy, partly because they will have become EU law before the UK leaves and also because it "wants the UK to be a world leader in resource efficiency"⁹². These measures are expected to have significant extra cost to local authorities⁹³.
- 7.18 The majority of existing EU waste management law has already been transposed directly into domestic law within the UK. This means that the relevant legislation and requirements on local authorities will not be automatically, or immediately, affected by the UK's exit from the EU.
- 7.19 However, if the UK leaves the EU and does not become a member of the EEA, then the UK Government will be able to amend and/or repeal the domestic legislation that gives effect to EU waste legislation. This may not lead to a substantial change in approach from the UK Government, however it is possible that it could choose to repeal or weaken EU requirements (for example, recycling targets) to reduce the regulatory burden on businesses. This could lead to a change in approach to waste collection and disposal services for some local authorities, particularly if lower cost solutions (such as landfill disposal) are permitted with a relaxation of environmental protections and technical requirements
- 7.20 The LGA sees Brexit as an opportunity to introduce new approaches to tackling waste, recycling and landfill, with councils closely involved in any reforms or new targets, and full recognition of the 'polluter pays' principle.

Air quality

- 7.21 The LGA⁹⁴ wants to ensure that UK targets on clean air are at least as ambitious as EU targets and that where councils have a role; they are given the appropriate powers and resources to deliver.

Food Safety

- 7.22 The LGA would seek to retain EU regulations relating to food safety. It also sees Brexit as an opportunity to strengthen food safety laws by legally extending the mandatory display of the Food Hygiene Rating System's 'scores on the doors' in England. This would not only improve consumer confidence and raise standards, but also should reduce the need for, and therefore cost of, enforcement action by councils.

Procurement

- 7.23 The LGA believes that public procurement is an example where EU-origin laws might be made better through amendment. Local government must comply with EU public sector procurement rules. The most significant requirement is for all public contracts over €209,000 to be published in the Official Journal of the European Union (OJEU), thus making them accessible to suppliers from across the EU. The process sometimes sits uneasily with supporting the local economy. It can also take between three and 18 months, which is twice as long as typical private sector procurement. Almost no public contracts end up being awarded to companies in other EU member states. Only 20% of English councils receive expressions of interest from companies based in other EU countries. Across Europe, only 3.5% of public contracts (by value) are awarded to companies based solely in other member states.

⁹² CIWM Journal. Online at: <https://ciwm-journal.co.uk/uk-will-vote-in-favour-of-eu-circular-economy-package>

⁹³ Letsrecycle. Online at: <https://www.letsrecycle.com/news/latest-news/esa-eu-recycling-targets-challenging/>

⁹⁴ LGA. Online at: <https://www.local.gov.uk/topics/european-and-international/brexit-and-local-government>

- 7.24 In the medium term, public procurement rules more generally will remain in place as they have been implemented via UK law. Further information is available in the House of Commons Library briefing paper on public procurement⁹⁵.

State aid

- 7.25 European regulations prevent the Government from providing state aid to companies of over £200,000 in any three-year period. Tax reliefs and exemptions also fall into the definition of state aid. It is likely that some form of state aid provisions would remain in place post-Brexit, as it is required by both membership of the World Trade Organisation (WTO) and the European Free Trade Association (EFTA).
- 7.26 The LGA sees an opportunity for state aid rules to be more tailored to supporting local economic growth, with clear exemptions for small-scale local projects of community benefit

Energy efficiency

- 7.27 Local authorities must manage their buildings and procurement in line with energy efficiency rules based on EU law. The basis of these is the 2012 Energy Efficiency Directive, which is transposed into UK law via a number of pieces of secondary legislation. The Directive establishes measures to help the EU reach its 20% energy efficiency target by 2020 and places a requirement on public authorities, which includes local councils, to ensure they purchase energy efficient buildings, products and services. In the past councils have raised concerns that such a requirement places additional costs on council procurement activity.

Devolution deals

- 7.28 Some uncertainty has been expressed about the future of the 'devolution deals' agreed with various local areas in the aftermath of the vote to leave the European Union. This is mainly because Parliament and the civil service "face years of Brexit-related legislative congestion"⁹⁶. There are no clear indications yet that the Government intends to change policy direction as regards devolution to local areas.

8. Impact on other areas

Higher Education

- 8.1 The main risks were a decline in student numbers, decreased access to European funding, and a decline in cross-border collaborative research⁹⁷.
- 8.2 The Kent and Medway area has a thriving higher education sector. There are three major, internationally oriented universities located in the region, with around 40,000 undergraduate and postgraduate students. The principal research university in the region is the University of

⁹⁵ UK Parliament. Online at: <https://researchbriefings.files.parliament.uk/documents/SN06029/SN06029.pdf>

⁹⁶ New Local Government Network, Brexit: A turning point for devolution. Online at: <http://www.nlgn.org.uk/public/2016/brexit-a-turning-point-for-devolution/>

⁹⁷ A. Hadfield, M Hammond, Centre for European Studies, Canterbury Christ Church University, Kent And Medway: Making A Success Of Brexit A Sectoral Appraisal Of Small And Medium Sized Enterprises And The Rural Economy (July 2017). Online at: <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/Making-A-Success-of-Brexit-20-July-2017.pdf>

Kent, with 19,000 students across four campuses, located in Canterbury, Medway, Brussels and Paris.

- 8.3 In total, 11 percent of Kent students come from the EU, and the institution labels itself 'Britain's European University'.
- 8.4 Canterbury Christ Church University is the second largest institution in the region with 16,000 students, 10.6 percent of whom are from the EU. The University has campuses in Canterbury, Medway and Tunbridge Wells.
- 8.5 The University for the Creative Arts, a federal Institution with around 7,000 students, has two of its four campuses in the region, in Canterbury and Rochester.
- 8.6 Together the region's universities provide a major source of employment in the local area and it is estimated that their combined economic impact across the South East amounts to over £1bn a year.

Healthcare

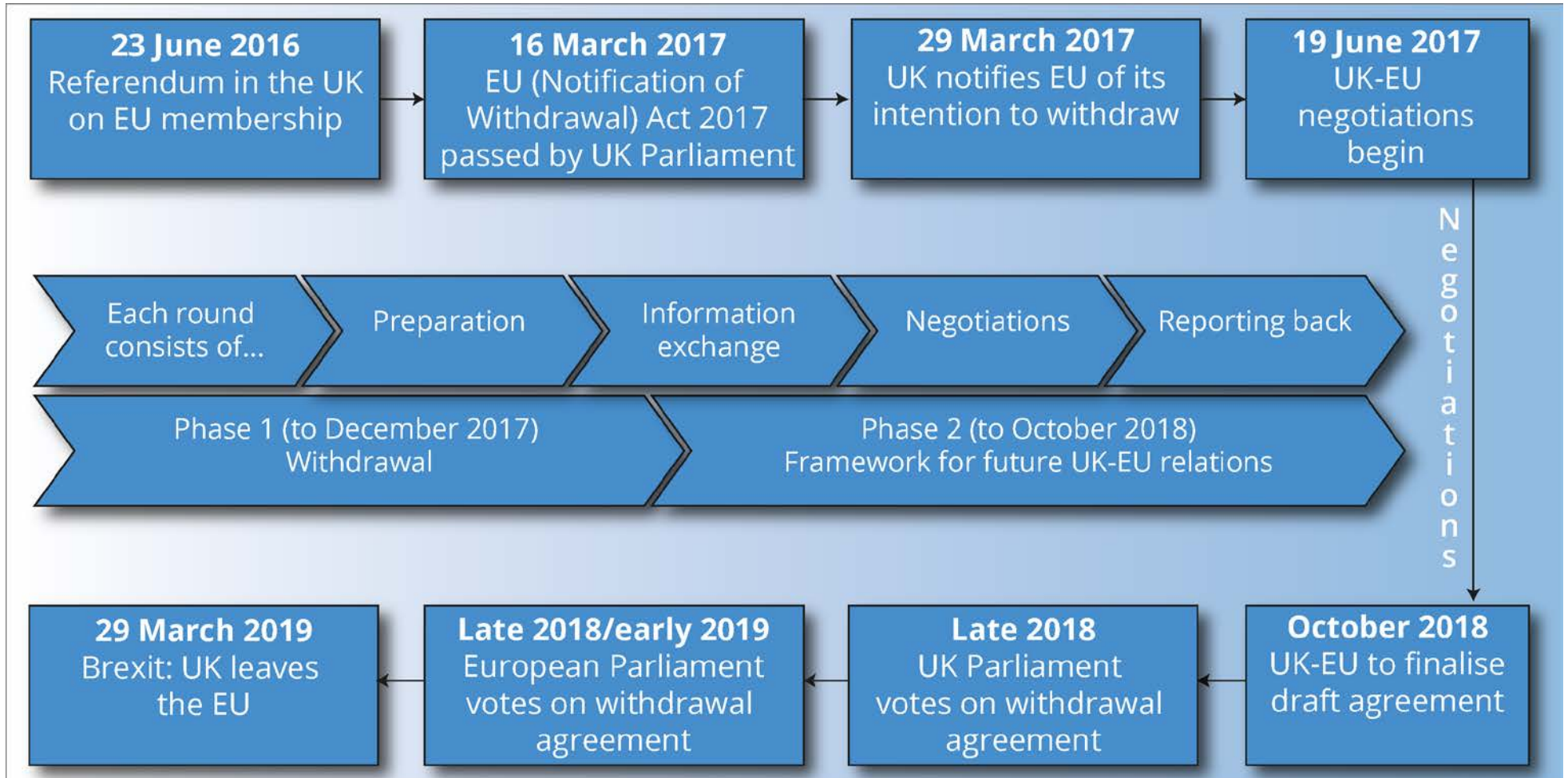
- 8.7 Specific risks from British withdrawal from the EU arise in relation to healthcare provision:
- Staffing levels and the risk of skills shortages arising from the re-imposition of visa restrictions on migrant workers from EU member-states⁹⁸. Whilst these individuals represent only around five percent of the workforce in the region, they help fill a number of crucial skills shortages and bring significant expertise to the area.
 - The loss of access to EU funding streams, which contribute significant investment to healthcare programmes and health research in the region.
 - The effects of abrogating existing reciprocal arrangements, which may increase the strain on existing NHS resources in the area, since hospitals will no longer be able to refer patients for treatment in France.

Policing

- 8.8 Anticipated diminishing access to sources of cross-border intelligence and worsening diplomatic relations.

⁹⁸ Hadfield, A, Martill B, Nazarenko, L (n.d.). Canterbury Christchurch University, Centre for European Studies, Kent and 'Brexit' Realities and Risks in Regional Perspective. Online at <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/cefeus-kent-and-brexit-report.pdf>

Appendix 1: Brexit Negotiations Timeline



Source: Parliament.uk

Appendix 2: Assessing the Impact of Brexit

“It is clear that unpicking our ties with the EU and renegotiating our relationship with Europe will impact the UK in a whole host of different ways” (Parliament UK, 2017).⁹⁹

- 1.1 There is a considerable amount of information and analysis available on the Parliament website¹⁰⁰, including a series of the Government’s own position papers published as an aide to the negotiations. However, despite these (and a significant body of speculative research on Brexit), there is unlikely to be sufficient detail available for councils to take a more informed view until the following is known:
- The nature of the deal to leave the EU,
 - Our future trading relationship both with the EU and the rest of the world, and
 - The criteria for the Shared Prosperity Fund, intended in part to re-purpose the UK’s former EU contributions.
- 1.2 Both Houses of Parliament are scrutinising Brexit via a series of committees, including the Communities and Local Government Committee, which launched an inquiry into the impact of Brexit on local government in October 2017¹⁰¹. The inquiry is set to continue hearing evidence throughout most of 2018.

Local Government Association (LGA)

- 2.1 The LGA is the voice of local government during the negotiations regarding the UK's exit from the European Union. It has identified five priority areas as containing the greatest potential risks and opportunities posed by Brexit¹⁰²:
- **Autonomy of local government**
Responsibilities repatriated from the EU should not be centralised in Whitehall. We need devolution settlements to ensure responsibility for those powers are transferred to local authorities.
 - **Developing a new legal base for local government**
There are many EU laws that affect the day job of local councils and the real world impact must be taken into account in the future review of UK laws of EU origin. This must lead to new legislative freedoms and flexibilities for councils so that communities, businesses and consumers can benefit.
 - **Securing investment that is currently sourced from the EU**
The Government needs to begin developing a locally driven, fully funded growth policy to deliver its ambitions post-Brexit. This must be designed and delivered by local areas as an integrated replacement for EU funding and existing national schemes to support infrastructure, enterprise, and social cohesion.

⁹⁹ The UK’s exit from the EU will have a significant impact at council level. Many scenarios ranging from ‘Hard Brexit’ to ‘Soft Brexit’ have been discussed at length by numerous commentators (Parliament UK, 2017). Online at:

<https://www.parliament.uk/business/publications/research/eu-referendum/leaving-the-european-union/>

¹⁰⁰ Parliament UK, Brexit: research and analysis. Online at: <https://www.parliament.uk/business/publications/research/eu-referendum/>

¹⁰¹ Housing, Communities and Local Government Committee, Brexit and Local Government inquiry. Online at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2017/brexit-local-authority-inquiry-17-19/>

¹⁰² Local Government Association, Brexit. Online at: <https://www.local.gov.uk/topics/european-and-international/brexit>

- **Community cohesion and workforce**
Councils play the leading role in bringing communities together and will be important in tackling challenges such as the retention of skilled workers. For example, the adult social care workforce has a unique set of skills, but struggles with recruitment and retention. With 7 per cent of existing adult social care staff from other EU nations, securing a sustainable adult social care workforce and excellent care skills must be a priority for the Government. The LGA is calling for urgent guarantees from Government to reform Whitehall's national approach to commissioning employment and skills funding, worth £10.5 billion a year. It is currently fragmented, costly, and fails to address the challenges faced by residents and employers.
- **Addressing place-based impacts**
In partnership with the LGA, government departments must begin to address the real and varied impacts and opportunities of Brexit at the local level, in both urban and rural areas. The LGA is consulting widely and building an evidence base to support the exit negotiations.

Chartered Institute of Public Finance Accountants (CIPFA)

- 3.1 In a report released by the Chartered Institute of Public Finance Accountants (CIPFA) before the referendum, it concluded – as the EU has a far-reaching impact on public service management, delivery, demand, supply chain and funding – the process of separating the sector from EU policy and legislation would be significantly challenging.
- 3.2 Marking the triggering of Article 50, CIPFA announced the establishment of an independent Brexit Advisory Commission for Public Services (BAC)¹⁰³. This will seek to highlight the opportunities and risks to public services during the Brexit renegotiation process.
- 3.3 Significant areas of focus for the Commission will be the future of public services staff from EU countries, state aid rules, how structural and investment funding will be replaced and whether collaborative EU projects and initiatives will continue. The Commission will continue after Brexit as UK laws are established to replace EU laws initially written into UK statute.
- 3.4 The BAC will provide evidence based analysis of the relationship between UK public services and EU funding and bring forward policy recommendations on how future funding mechanisms could best work. This work is still pending.

Centre for European Studies, Canterbury Christ Church University

- 4.1 The Centre for European Studies at Christ Church University in Canterbury has produced a series of reports looking at the potential impact of Brexit in Kent and Medway¹⁰⁴.
- 4.2 Its report “Kent and Medway: Making a Success of Brexit - a Sectoral Appraisal”, looks at the county’s particular needs across a range of sectors, including business and commerce, agriculture, healthcare, local government, policing and security.

¹⁰³ CIPFA, Brexit Advisory Commission for Public Services. Online at: <https://www.publicfinance.co.uk/news/2017/08/cipfa-brexit-commission-launches-mission-statement>

¹⁰⁴ Centre for European Studies, Canterbury Christ Church University, Brexit Hub. Online at: <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/Brexit-Hub/Brexit-Hub.aspx>

- 4.3 Other published reports have looked at Small and Medium-Sized Enterprises and the Rural Economy in the county, and there are two further reports, currently in draft form, on the implications for the health and care sector, and on borders and customs.

Ready on Day One: Meeting the Brexit Borders challenge

- 5.1 A report by Charlie Elphicke MP “Ready on Day One: Meeting the Brexit Borders challenge¹⁰⁵”, published in July 2017, sets out a plan to ensure that the Channel Ports will be ready on day one to avoid gridlock if a trade deal has not been agreed. It points out that gridlock at the Channel Ports will mean gridlock for the UK economy. The plan includes:
- **Resilient Roads to the Channel Ports:** The new Thames Crossing taken forward at speed, the M2/A2 upgraded and dualled all the way to the Channel Ports and the planned M20 Lorry Park to be delivered on time.
 - **Open for Business** with systems ready on day one to ensure that customs controls are handled seamlessly, with long queues avoided and technology used to speed customs processing.
 - **A New Entente Cordiale** to extend the Le Touquet Treaty to cover customs cooperation and build a new era of deeper co-operation with France.
 - **A Brexit Infrastructure Bill:** A powerful new law to speed through administrative processes would enable vital projects to be delivered in time.
 - **One Government** at the border; with responsibilities sitting under a single ministry to ensure order and prevent confusion.

¹⁰⁵ C. Elphicke MP, Ready on Day One: Meeting the Brexit Borders challenge (July 2017). Online at: <http://www.elphicke.com/downloads/ready-on-day-one.pdf>

The potential impact of Britain leaving the European Union (EU) on the Dover district

Update October 2018



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1. SUMMARY

- 1.1. This paper is an addendum to the earlier report that looked at the potential impact of a British withdrawal from the European Union (EU) – on the Dover district, Dover District Council, and the services that we deliver. It concentrates on the main changes to the issues affecting the district and does not intend to repeat everything highlighted in the previous report.
- 1.2. There is no shortage of information on Brexit, however, navigating it all can be quite challenging. It is also difficult to keep up-to-date with all the Brexit news, with the position changing daily. This report is not a summary of all of the reports and analysis published and is limited to those issues that may impact on the district.
- 1.3. Many of the studies on the risks and opportunities of Brexit are set at a national or regional perspective, which means it is more difficult to make an informed assessment at a local level.
- 1.4. It is now over two-years since the referendum of June 2016 and the decision for the UK to leave the European Union (EU). The triggering of Article 50 started a legal process that means the UK is scheduled to depart from the EU on Friday 29th March 2019. The UK and EU have provisionally agreed on the three "divorce" issues of how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK.
- 1.5. Talks are now focusing on the detail of those issues - there is yet to be agreement on how to avoid having a physical Northern Ireland border - and on future relations between the UK and the EU. To allow more time, negotiators have provisionally agreed a 21-month "transition" period (until 31st December 2020) to smooth the way to post-Brexit relations. Free movement will continue during the transition period and the UK will be able to strike its own trade deals - although they will not be able to come into force until 1st January 2021. *If the UK leaves the EU with 'no deal' there will be no transition period.*
- 1.6. In July 2018, the UK cabinet agreed how it sees those future relations working and published a [White Paper on The Future Relationship between the United Kingdom and the European Union](#)¹ (commonly called the Chequers Plan) proposing the free movement of goods and capital, but not of services and people. The Government envisages a 'common rulebook' to facilitate 'frictionless' trade, and among other things, UK cooperation in security matters, a commitment to maintain high environmental, data and consumer protection standards, UK participation in some EU agencies and solutions to the Irish border issues - all underpinned by a new governance structure that will pay "due regard" to the EU Court.
- 1.7. This is the Government's negotiating position but the future EU-UK relationship remains subject to negotiation. The White Paper is reported to have had a mixed reception in the UK and across Europe. There have been several high-profile resignations in the UK, and on the 20th September, at a summit in Salzburg, the EU also rejected key proposals within the plan. EU officials are understood to be working on a counter-proposal to the Chequers Plan, which is likely to be published in early October.
- 1.8. Before the Salzburg summit, it had been hoped a deal would be reached by the time the EU leaders met at a two-day summit on 18th to 19th October. As this now seems unlikely, a special one-off summit has now been arranged for mid-November, with another scheduled for 13th December.

¹ https://www.gov.uk/government/publications/the-future-relationship-between-the-united-kingdom-and-the-european-union?utm_source=e5b3260b-2069-4b57-a5bd-24e9ea02aa88&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

- 1.9. By the end of 2018, the Government must conclude a withdrawal agreement with the EU before seeking approval from Parliament in the form of a motion (the so-called ‘meaningful vote’) on the deal. Only if both these challenges are met, legislation is passed to give effect to the agreement and both the UK and European Parliaments² ratify the withdrawal treaty, will the UK leave the EU on 29th March 2019 in an orderly manner and with a transition in place³.
- 1.10. If an agreement is not reached at the EU summit, there appears to be little room for flexibility. Article 50, triggered by the UK government on 29th March 2017, set in place a formal legal process that results in the UK’s exit precisely two years later. Officials in Brussels say that while the article 50 process could be extended in theory, there would be no appetite to do so if it were merely to delay an inevitably disorderly departure. The only way it could conceivably happen, they say, would be because of some fundamental shift in the UK position, for example a new prime minister or a general election⁴.
- 1.11. The country is therefore entering the crucial phase of negotiations and there remains a range of outcomes to Article 50, from no-deal to a relatively soft transitional status.

² The EU must get approval from a supermajority of members – at least 20 of the 27 countries, representing 65% or more of the total EU population

³ <https://www.instituteforgovernment.org.uk/publications/possible-scenarios-next-phase-brexit>

⁴ <https://www.theguardian.com/politics/2018/jul/22/article-50-extension-unlikely-without-shift-in-uk-politics-say-eu-officials>

2. HOW ARE WE FACILITATING AND INFLUENCING PREPAREDNESS?

- 2.1 As the 'Gateway to Europe', there is and will no doubt continue to be a focus on Dover as an area likely to see a local impact of the Brexit negotiations. It is therefore important that, as a District Council, those negotiators are aware of the potential opportunities and challenges the district and Council would like considered. The purpose of the paper, and the subsequently convened Dover District Brexit Taskforce, is to raise the profile of the issues impacting on Dover.
- 2.2 Dover is the largest roll-on / roll-off (ro/ro) port in the UK and handles one sixth of the UK's total trade in goods with a value of £119bn per year. Latest figures show that around 2.6 million freight vehicles passed through the Port of Dover in 2017. Nearly all (99%) freight moved through the port is intra-EU. The Channel Tunnel also operates as a ro/ro and a further 1.6 million lorries used Eurotunnel in 2017. Together the Port of Dover and Eurotunnel carried 22.1m passengers in 2017.
- 2.3 The Council produced a briefing 'The Potential Impact of Britain leaving the European Union (EU) on the Dover District' in June 2018. This briefing looked at scenarios for areas including Transport and Infrastructure, Local Economy and Workforce, Tourism, Funding and EU legislation. The report, based on research already publicly available, noted the potential for: cross-departmental, cross channel working; the need for Government to consider the impact on one of the country's busiest ports (Eurotunnel and the Port of Dover); the access and transport effects that would impact on the movement of goods around the country and subsequent knock on effects to tourism, employment and skills; and the challenges faced by the geographical position and size of the ports and the port health authority role.
- 2.4 The briefing gained national and international attention. With requests for further information and interviews with: Sky News; BBC News; Kent Online; The Independent; Daily Express; ITV Meridian; Ferrari; CNBC; BBC Inside Out documentary with the Leader of the Council; NBC; the South China Daily News; Canadian Broadcasting Company; and TVE, the Spanish National Broadcaster. There are also regular on-going requests for information and interviews.
- 2.5 The Council also used the briefing as a background document to establish the Dover District Brexit Taskforce, chaired by Charlie Elphicke MP. Membership of the group also includes Craig Mackinlay MP, Dover District Council, Kent County Council, Eurotunnel/Getlink UK, Port of Dover and, more recently, Kent Police and the Office of the Police and Crime Commissioner. The next meeting of the Task Force is looking to include French Port colleagues as well.
- 2.6 It is recognised that, whilst the key decisions will be taken at a national level, it is important that decision-makers are aware of the implications locally. The aim of the Taskforce is to influence decision-making, prepare local services, lobby for increased investment in infrastructure, and seek out any opportunities that Brexit presents, and most importantly to put the people of Dover and the wider district first.
- 2.7 Key issues identified by the Taskforce, include:
- Knock-on effects of increased border controls and port dwell times on local roads and communities, including air quality
 - Urgent need for investment in critical road infrastructure (A2 dualling, Lower Thames crossing, lorry parking)
 - Identifying opportunities for new technologies to help create a 'frictionless' border
 - Maximising opportunities created by 'Brexit' (e.g. freight forwarding jobs)
 - Resource implications for Port Health under a 'hard border'
 - Impact of 'Brexit' perception on inward investment and tourism
 - Maintaining the strong working relationship with local authorities in the Pas-de-Calais

- 2.8 One of the key aims of the Taskforce is to champion the message that Dover is open for business and will always extend a warm welcome to visitors from Europe and beyond.
- 2.9 Following the Taskforce meeting in October, the Council is hosting a Business/Skills Breakfast meeting with a Brexit theme in late 2018 / early 2019 and has invited the Brexit Minister to speak at the event.
- 2.10 This additional briefing is designed to update on progress, of Brexit negotiations through Government, and also actions of the Council and partners.
- 2.11 Dover District Council is in negotiation with the Local Government Association and Kent County Council with regards facilitating a Regional Brexit Sounding Board - to highlight the potential impacts of Brexit on local communities to central government and the wider public sector, in conjunction with local councils, the Ministry of Housing, Communities and Local Government and other relevant stakeholders. Sounding Boards are shaped around the local perspective of the host authority and provide an opportunity to raise and discuss key risks and opportunities for the local area.
- 2.12 As there is limited data available at a district level to help us assess the likely impact of Brexit on local businesses, we included a question on Brexit in our Local Business Confidence Survey being undertaken as part of the Local Plan Review⁵. This survey is still open for consultation but, at this point in time, it is apparent the majority of responders are unsure as to how the impact of Brexit will affect them.
- 2.13 Dover District Council is the Port Health Authority for both the Port of Dover and the Channel Tunnel. Currently port health controls, stipulated by statute, are small-scale. However, depending upon the outcome of the Brexit negotiations, associated workloads and infrastructure requirements may increase dramatically. Currently the Port of Dover is fully integrated into a frictionless single market, with customs checks last carried out for UK-EU trade in 1992. Any increase in import controls would create capacity demands on the port and public protection services, and place pressure on the transport network. The Government has now published Technical Notes regarding border controls in the event of a 'no deal' – please see Appendix 1⁶.
- 2.14 In order to ensure all the above issues are raised and considered as part of the negotiations, the following groups have been established, on which the Council has either direct or indirect representation:
- a) Dover District Brexit Taskforce
 - b) Kent Resilience Forum and sub-groups
 - c) Kent Border Planning Steering Group
 - d) Port User Group
 - e) Port Health Authorities Border Planning Group
 - f) Major Ports Imported Food – Feed – POAO Meeting
 - g) Southern Road Working Group
 - h) The Cross Government Border Delivery Group⁷

The Port Health Section of Regulatory Services within Dover District Council attends groups c) to g) in the list above. All of these groups ultimately feed into the overarching Cross Government Border Delivery Group, which Dover District Council is sometimes invited to attend directly.

⁵ DDC Local Plan Business Confidence Survey 2018: <https://www.surveymonkey.co.uk/r/7RCJ3YX>

⁶ <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#history>

⁷ This blog sets out the work of the Border Delivery Group: <https://quarterly.blog.gov.uk/2018/03/23/the-civil-service-brexit-and-beyond/>

- 2.15 The Cross Government Border Delivery Group is also involved in the development of a “Partnership Pack” to communicate the impact of the deal outcomes to the relevant stakeholders.
- 2.16 There is a significant amount of work underway to prepare for the UK’s departure from the European Union. The Department for Exiting the European Union is coordinating more than 300 Brexit related work streams across government and implementation is being supported from the centre through the Infrastructure and Projects Authority (IPA) and other cross-government functions. We understand that the IPA is carrying out an audit of preparedness/readiness within Kent as a ‘confidence assessment’, interviewing Police, KCC, Ports, Road, Transport etc.

3. THE CHEQUERS PLAN

- 3.1 On 6th July 2018, Cabinet reached an agreement on the UK's future relationship with the EU after Brexit, following a 12-hour meeting at Chequers (the country house of the Prime Minister). Two days later, David Davis, Secretary of State for Exiting the European Union resigned, followed by Boris Johnson the next day. Several other MPs also quit their ministerial posts over the issue.
- 3.2 Following on from this, on 12th July 2018, the Government published a [White Paper on The Future Relationship between the United Kingdom and the European Union⁸](#). This White Paper is still commonly referred to as the Chequers Plan.
- 3.3 The White Paper is divided into four chapters, setting out:
- a) An Economic partnership based on 'bilateral autonomy': includes an independent trade policy, trade in goods, services and investment, the digital sector, future mobility, competition, the environment, transport and energy; new arrangements for services, financial services and the digital sector; a Facilitated Customs Arrangement; no hard Irish border.
 - b) A Security partnership: operational capabilities on internal security are maintained, but the UK has an independent foreign policy, sometimes working with the EU; cooperation or participation in law enforcement and criminal justice, data exchange, cyber security, extradition, counter-terrorism, sanctions, space, asylum and illegal immigration.
 - c) Cross-cutting and other cooperation: UK participation in several EU agencies, continued participation or cooperation in science and innovation, data protection, culture and education, and fishing opportunities.
 - d) Institutional arrangements: an EU-UK Association Agreement and other separate agreements; a new governing body of UK and EU officials and a Joint Committee; UK participation in EU agencies, making a financial contribution to the EU budget; UK respect for remit of the Court of Justice of the European Union (CJEU) and a role for the UK Parliament in scrutinising rules made under the agreements.

Key Details

- 3.4 In short, the proposals are (excerpt from the White Paper):
- a) Leaving the EU, without leaving Europe
 - b) To return accountability over the laws we live by to London, Edinburgh, Cardiff and Belfast, and end the jurisdiction of the European Court of Justice in the UK.
 - c) To preserve the UK's and the EU's frictionless access to each other's markets for goods, protecting jobs and livelihoods on both sides, and propose new arrangements for services.
 - d) To meet shared commitments to Northern Ireland and Ireland through the overall future relationship, in a way that respects the EU's autonomy without harming the UK's constitutional and economic integrity.
 - e) To end free movement, taking back control of the UK's borders.
 - f) To have an independent trade policy by striking trade deals with new friends and old allies.

⁸ https://www.gov.uk/government/publications/the-future-relationship-between-the-united-kingdom-and-the-european-union?utm_source=e5b3260b-2069-4b57-a5bd-24e9ea02aa88&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

- g) To maintain the shared security capabilities that keep citizens in the UK and the EU safe, as we work in partnership with Member States to tackle crime and terrorism.
- h) To end vast annual contributions to the EU budget, releasing funds for domestic priorities – in particular our long-term plan for the NHS.
- i) To come out of the Common Agricultural Policy and Common Fisheries Policy, ensuring we can better meet the needs of farming and fishing communities.
- j) To maintain current high standards on consumer and employment rights and the environment.
- k) Enable co-operation to continue in areas including science and international development, improving people’s lives within and beyond Europe’s borders.

Economy

- 3.5 The proposals seek to maximise future prosperity in line with the modern Industrial Strategy⁹ and minimises disruption to trade between the UK and the EU, protecting jobs and livelihoods.
- 3.6 To establish a **free trade area** for goods in order to protect integrated supply chains and ‘just-in-time’ processes. This would avoid the need for customs and regulatory checks at the border, and mean that businesses would not need to complete costly customs declarations. And it would enable products to only undergo one set of approvals and authorisations in either market, before being sold in both. This in turn would avoid the need for a hard border between Northern Ireland and Ireland. The new free trade area for goods would need to be supported by robust domestic market surveillance and cooperation, to ensure that rules are upheld in both markets. Following its withdrawal from the EU, the UK intends to maintain its robust programme of risk-based market surveillance to ensure that dangerous products do not reach consumers. This includes the ability to intercept products as they enter the UK, check products already on the market, and gather information through a variety of intelligence sources. In order to support these cooperation arrangements, the UK is seeking access to the EU’s communications systems, such as the Rapid Alert System for Food and Feed (RASFF), Rapid Alert System for Serious Risk (Rapex), and the Information and Communication System for Market Surveillance (ICSMS). The White Paper acknowledges ‘there will be more barriers to the UKs access to the EU market than is the case today’.
- 3.7 To establish a **Common Rulebook** for goods including agri-food, covering only those rules necessary to provide for frictionless trade at the border – meaning that the UK would make an upfront choice to commit by treaty to ongoing harmonisation with the relevant EU rules, with all those rules legislated for by Parliament or the devolved legislatures (the common rulebook would also encompass those rules that must be checked at the border). There would also be a common rulebook for state aid, cooperative arrangements on competition, and reciprocal commitments to maintain current high standards through non-regression provisions in other areas, such as environmental and employment rules. A common rulebook for manufactured goods - the UK believes that manufacturers should only need to undergo one series of tests in either market, in order to place products in both markets. This would be supported by arrangements covering all relevant compliance activity, supplemented by continued UK participation in agencies for highly regulated sectors including for medicines, chemicals and aerospace. This would be underpinned by strong reciprocal commitments to open and fair trade and a robust institutional framework.
- 3.8 To establish the UK’s own **independent trade policy** – able to represent itself at the World Trade Organization (WTO), to make credible and balanced offers to third country trading partners, and to implement a trade remedies and sanctions regime.

⁹ <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future#history>

- 3.9 The phased introduction of a new **Facilitated Customs Arrangement** that would remove the need for customs checks and controls between the UK and the EU as if they were a combined customs territory. The UK would apply the EU's tariffs and trade policy for goods intended for the EU. The UK would also apply its own tariffs and trade policy for goods intended for consumption in the UK. This would mean:
- a) Where a good reaches the UK border, and the destination can be robustly demonstrated by a trusted trader, it will pay the UK tariff if it is destined for the UK and the EU tariff if it is destined for the EU. This is most likely to be relevant to finished goods; and
 - b) Where a good reaches the UK border and the destination cannot be robustly demonstrated at the point of import, it will pay the higher of the UK or EU tariff. Where the good's destination is later identified to be a lower tariff jurisdiction, it would be eligible for a repayment from the UK Government equal to the difference between the two tariffs. This is most likely to be relevant to intermediate goods. Under the UK's proposals, it is estimated up to 96 per cent of UK goods trade would be most likely to be able to pay the correct or no tariff upfront, with the remainder most likely to use the repayment mechanism.
- 3.10 A number of areas of discussion are proposed with regards the above to ensure the approach is consistent with the integrity of the EU's Customs Union and that the EU would be confident that goods cannot enter its customs territory without the correct tariff and trade policy being applied.
- 3.11 To ensure that new declarations and border checks between the UK and the EU do not need to be introduced for VAT and Excise purposes, the UK proposes the application of common cross-border processes and procedures for VAT and Excise, as well as some administrative cooperation and information exchange to underpin risk-based enforcement. These common processes and procedures should apply to the trade in goods, small parcels and to individuals travelling with goods (including alcohol and tobacco) for personal use.
- 3.12 To establish new arrangements on **services and digital**, providing regulatory freedom where it matters most, in line with the modern Industrial Strategy. The UK's proposals include:
- a) ensuring cross-border data flows, providing for the removal and prevention of barriers to the flow of data across borders;
 - b) protecting the free, open and secure internet, working with EU partners to lead the global effort to ensure that the internet is safe and open; and
 - c) recognising equivalent forms of electronic ID and authentication, ensuring that these are secure, trustworthy and easy to use across borders
 - d) joint commitments to an open and liberalised electronic communications sector allowing for fair, equal and competitive access for UK and EU businesses to public telecoms services and networks; and
 - e) continuing to share cyber threat information to ensure the UK's and the EU's infrastructure is robust, resilient and able to adapt to evolving threats online or to digital infrastructure
- 3.13 To establish new **economic and regulatory arrangements for financial services**, preserving the mutual benefits of integrated markets and protecting financial stability while respecting the right of the UK and the EU to control access to their own markets – noting that these arrangements will not replicate the EU's passporting regimes.
- 3.14 To seek continued cooperation on **energy and transport**, seeking broad cooperation on energy, developing an air transport agreement, and exploring reciprocal arrangements for road hauliers and passenger transport operators.
- 3.15 To establish new arrangements for annual negotiations on access to waters and the sharing of **fishing opportunities** based on fairer and more scientific methods – with the UK an independent coastal state. As an independent coastal state, the UK will have control over

access to its waters from the end of the implementation period. Any decisions about giving access to UK waters for vessels from the EU, or any other coastal states will be a matter for negotiation. The UK, the EU and coastal states should agree to annual negotiations on access rights and fishing opportunities for UK, EU and coastal state fleets. This could include multi-annual agreements for appropriate stocks. The UK will seek to move from relative stability towards a more scientific method for informing future Total Allowable Catch (TAC) shares. Further, non-UK registered vessels granted access to fish in UK waters would also need to meet the same requirements as UK fleets across all UK fishing zones, including adherence to sustainable practices.

- 3.16 To establish a new framework that enables UK and EU citizens to continue to travel to each other's countries, and businesses and professionals to provide services.

Communities

- 3.17 The proposals seek to end free movement and put in place a **new immigration system**, introducing new independent policies to support farming and fishing communities, using the Shared Prosperity Fund to regenerate UK towns and cities. The new framework would respect the UK's control of its borders, enabling UK and EU citizens to continue to travel to each other's countries and businesses and professionals to provide services, and to help students and young people to enjoy the opportunities and experiences available in the UK and the EU – in line with the arrangements that the UK might want to offer to other close trading partners in the future. The proposals seek continued mutual recognition of professional qualifications.
- 3.18 The Migration Advisory Committee (MAC) report, due in September 2018¹⁰, will provide important evidence on patterns of EU migration and the role of migration in the wider economy to inform this. Further details of the UK's future immigration system will be set out in due course. This report has now been published.
- 3.19 The UK proposes reciprocal visa-free travel arrangements to enable UK and EU citizens to continue to travel freely for tourism in the future. The Government also wants UK and EU nationals to continue to be able to use the European Health Insurance Card (EHIC) to receive healthcare should they need it while on holiday.
- 3.20 It is proposed the UK and the EU should commit to the non-regression of environmental standards. There should also be a reciprocal commitment to ongoing environmental cooperation, including in international fora, to solve shared global environmental challenges. The UK's world leading climate ambitions are set out in domestic law and are more stretching than those that arise from its current obligations under EU law. The UK will maintain these high standards after withdrawal.
- 3.21 The UK proposes that the UK and the EU commit to the non-regression of labour standards. The UK and the EU should also commit to uphold their obligations deriving from their International Labour Organisation commitments.

Socio-economic cooperation

- 3.22 The UK's proposals include:
- a) An Air Transport Agreement which seeks to maintain reciprocal liberalised aviation access between and within the territory of the UK and the EU, alongside UK participation in EASA;

¹⁰ This report has now been published: https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration?utm_source=b438e527-b25e-4df9-a7e4-4fc2f2972dd6.

- b) Exploring options for road transport, including reciprocal access for UK and EU road hauliers and passenger transport operators;
- c) Close cooperation on maritime, including with the European Maritime Safety Agency (EMSA);
- d) Bilateral rail agreements with relevant Member States to support the continued operation of services through the Channel Tunnel and on the Belfast-Dublin Enterprise line;
- e) Exploring options for our future energy relationship – maintaining the Single Electricity Market (SEM) across the island of Ireland in any eventuality;
- f) A new civil nuclear relationship based on a comprehensive Nuclear Cooperation Agreement (NCA) between Euratom and the UK;
- g) Seeking to join the Lugano Convention, and exploring a new bilateral agreement with the EU on civil judicial cooperation, covering a coherent package of rules on jurisdiction, choice of jurisdiction, applicable law and recognition and enforcement of judgments in civil, commercial, insolvency and family matters;
- h) Exploring options on intellectual property, including participation in the Unified Patent Court and unitary patent system; and
- i) Seeking EU equivalence and adequacy decisions under the EU's audit and accounting third country regimes by the end of the implementation period

Security

- 3.23 Through withdrawal from the EU, the UK will no longer be part EU's common policies on foreign, defence, security, justice and home affairs. Instead, the Government is proposing a new security partnership that maintains close cooperation.
- 3.24 The proposals seek to maintain **existing operational capabilities** that the UK and the EU deploy to protect their citizens' security, including the ability for law enforcement agencies to share critical data and information and practical cooperation to investigate serious criminality and terrorism.
- 3.25 To ensure participation by the UK in key agencies, including Europol and Eurojust – providing an **effective and efficient way to share expertise and information**, with law enforcement officers and legal experts working in close proximity.
- 3.26 To ensure effective arrangements for **coordination on foreign policy, defence and development issues** – acting together to tackle some of the most pressing global challenges.
- 3.27 To ensure **joint capability development**, supporting the operational effectiveness and interoperability of the UK's and the EU's militaries.

Progress

- 3.28 The White Paper has had a mixed reception in both the UK and Europe.
- 3.29 The Prime Minister has faced criticism from anti-Brexit campaigners and also some leading pro-Brexit Conservatives. Tory Brexiteers opposed to the Chequers Plan have suggested up to 80 MPs would be prepared to vote against it.
- 3.30 At a summit in Salzburg on 20th September, which was supposed to pave the way for a potential deal by the middle of November, the EU also rejected key parts of the plan, saying that the new economic partnership put forward "will not work" and risked "undermining the single market".
- 3.31 Theresa May has reiterated her proposals are the "only serious credible" way to avoid a hard border in Northern Ireland. She has admitted that negotiations with the EU have now reached

an "impasse" and there will be no progress until the EU treats her proposals seriously. She has also warned the EU that she is ready to walk away rather than accept a "bad deal". Following this, the European Council President Donald Tusk has said a compromise with the UK over Brexit is "still possible".

- 3.32 Both the UK and EU have now ramped up talk of no-deal contingency planning, although both sides are understood to still want as amicable a divorce as possible.
- 3.33 Before the Salzburg summit, it had been hoped a deal would be reached by the time the EU leaders met at a two-day summit on 18th to 19th October. As this now seems unlikely, a special one-off summit has now been arranged for mid-November. An agreement then would still, theoretically, allow enough time for the UK and European Parliaments and a supermajority of European states (20 out of 27) to ratify any deal before the 29th March deadline.
- 3.34 EU officials are understood to be working on a counter-proposal to the Chequers Plan, which is likely to appear in early October. However, even if Theresa May negotiates a deal with the EU, there is no guarantee that it will receive Parliamentary backing.
- 3.35 Over the summer, there has been speculation on the possibility of a second referendum. The Government has promised MPs a 'meaningful vote' on the Brexit deal but the 'People's Vote' is campaigning for a new nationwide referendum. The Conservative and Labour parties have both previously ruled out another referendum.
- 3.36 On 25th September, at the Labour Party Conference, the Shadow Brexit Secretary confirmed that the Labour Party is preparing to vote against whatever deal Theresa May brings back from negotiations with the European Union. Labour delegates also voted overwhelmingly in favour of a Brexit motion saying holding a second referendum should be an option. The following day, Jeremy Corbyn used his leader's speech to say leaving the EU without a deal would be a "national disaster" and that the party would call for a general election if MP's voted against the Brexit deal or the government fails to reach any deal. However, he did make a conditional offer to support the Chequers Plan if Theresa May was willing to accept his proposal to keep Britain in a customs union and protect consumer standards and workers' rights after Brexit. The Prime Minister has repeatedly ruled a customs union out.

Alternatives to the Chequers Plan

- 3.37 The Prime Minister has told the BBC that she was confident of getting a deal based on her Chequers plan and insisted the only alternative is crashing out of the EU with no deal.
- 3.38 An '[Alternative Brexit White Paper – Canada Plus Plus Plus](#)¹¹' drawn up by the Department for Exiting the EU was published in 24 separate extracts on the Conservative Home website in July 2018. This paper calls for "a balanced, ambitious and wide-ranging economic partnership with the EU" which recognises the strength of the existing UK-EU trading relationship and the existing high level of integration between the UK and EU economies. This would involve largely frictionless trade, avoiding tariffs, and the establishment of new customs arrangements to minimise frictions at the border. The partnership would include services and investment and an "ambitious agreement on financial services that provides for market access in the most important areas of cross-border financial services trade."
- 3.39 Conservative Brexiteers, including Boris Johnson, David Davis and Jacob Rees-Mogg, have recently endorsed an alternative report, published by the Institute for Economic Affairs in September 2018. The report, '[Plan A+: Creating a prosperous post-Brexit U.K.](#)¹²' details plans for a Canada-style free trade deal with the EU after Brexit.

¹¹ <https://www.conservativehome.com/?s=alternative+brexit>

¹² <https://iea.org.uk/wp-content/uploads/2018/09/PLAN-A-final-document.pdf>

- 3.40 The report makes recommendations about what initial moves the UK could make to realise the benefits of leaving the EU, including proposals for how the UK should negotiate with the EU and others, what it should seek in the negotiations and how it can improve its domestic regulatory environment in areas like agricultural policy and fisheries policy. It also promotes solutions to the Irish border and trade agreements with the EU and other countries around the world.
- 3.41 The key points of the alternative plan are as follows:
- a) The UK should seek a "basic" free trade agreement for goods with the EU
 - b) It should open simultaneous discussions on securing new long-term free trade deals with America, China and India
 - c) To prevent a "hard border" in Northern Ireland have "cooperation mechanisms" to enable trade "formalities" to be completed away from the border
 - d) Keep parts of the withdrawal agreement which have already been agreed, such as citizens' rights, the "divorce" bill and the 21-month transition period after the UK leaves in March 2019
 - e) On immigration, free movement should be replaced with an "efficient and balanced framework" for workers from the EU and the rest of the world which "recognises the economic and social benefits and costs of immigration"
 - f) On customs arrangements, the key element of an agreed arrangement is to separate the movement of goods from the processing of forms (electronically or otherwise) for as many traders as possible.

Can Article 50 be halted?

- 3.42 If an agreement is not reached at the EU summit, there appears to be little room for flexibility. Article 50, triggered by the UK government on 29th March 2017, set in place a formal legal process that results in the UK's exit precisely two years later. Officials in Brussels say that while the article 50 process could be extended in theory, there would be no appetite to do so if it were merely to delay an inevitably disorderly departure. The only way it could conceivably happen, they say, would be because of some fundamental shift in the UK position, for example a new prime minister or a general election¹³.
- 3.43 A House of Commons research library paper: 'Brexit Unknowns (update)'¹⁴, published 26th September, points out that Article 50 does not make clear whether the withdrawal process can be reversed if the leaving State changes its mind. It also raises other constitutional unknowns:

"Constitutionally, there are several aspects of the Brexit process in respect of which there is considerable uncertainty. Although the European Union (Withdrawal) Act 2018 provides a Parliamentary process for approval of the Withdrawal Agreement, it cannot be said with confidence, for instance, what the implications would be if the Commons purported to give "qualified approval". We do not know the extent to which Parliament will have opportunities to scrutinise the Withdrawal Agreement before voting on it. There is considerable ambiguity as to the extent to which Parliament can influence the Government's approach in the event that a deal is rejected, or that no deal can be reached. Most notably, we do not know whether the UK's notification of intent to withdraw is revocable, although the Government maintains it will not request this.'

- 3.44 In September 2018, the BBC¹⁵ reported that anti-Brexit campaigners have been given permission to take their case to the European Court of Justice to seek a ruling on whether the

¹³ <https://www.theguardian.com/politics/2018/jul/22/article-50-extension-unlikely-without-shift-in-uk-politics-say-eu-officials>

¹⁴ <http://researchbriefings.files.parliament.uk/documents/CBP-8408/CBP-8408.pdf>

Brexit process can be halted. A cross-party group of politicians argue that Article 50 can be revoked if MPs vote to do so.

- 3.45 The Court of Session in Edinburgh had previously rejected their bid to have the case referred to European judges, but they won an appeal. The panel of appeal judges at the Court of Session said the "urgency of the issue" - with the UK due to leave the EU on 29th March - meant its request to the European Court was being done under expedited procedure.
- 3.46 The UK government said it was "disappointed" by the decision and was giving it "careful consideration". But a spokesman stressed that the government remained committed to implementing the result of the EU referendum and "will not be revoking Article 50."
- 3.47 The petitioners argue that the UK should now effectively be allowed to change its mind on Brexit, without needing the permission of the other 27 EU members. If it is successful, their case could strengthen the hand of any attempt by MPs to keep the UK in the EU after the final details of its departure terms are known. This is because it would give Parliament the power to unilaterally halt Brexit if it feels any final deal - or no deal - is unacceptable, even if the government wants to leave regardless.

¹⁵ <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-45601394>

4. TRANSPORT AND INFRASTRUCTURE

Potential for Delayed Freight and Tourist Traffic

- 4.1. One of the key issues for the Dover district post-Brexit is the potential for delayed freight and tourist traffic resulting in capacity problems within the port and congestion to transport flows within the district, Kent and beyond.
- 4.2. As the shortest crossing point between the UK and mainland Europe, the Dover Straits Ports Group (Dover and Channel Tunnel) account for 69% of all goods vehicles and 89% of all powered goods vehicles that travel between the UK and mainland Europe¹⁶. These facilities are of national importance and it is vital to keep traffic flowing smoothly throughout the transport network.
- 4.3. The M20, the A2 / M2 route and the Dartford crossing (the only road crossing of the Thames Estuary east of London) are all critical parts of the country's and county road network. Businesses, communities and individuals across the UK depend on these routes for goods and services. The routes serve a critical economic and social function, enabling local businesses to operate effectively and connecting communities to local education, health, housing, jobs, leisure and retail facilities.
- 4.4. The M20 is the main freight corridor to the Channel Tunnel. It is used by 70% of traffic heading for the Port of Dover. The A2 / M2 route to Dover, which is a more direct route, is used less due to its inferior standard. It has sections of single carriageway that are congestion pinch points. Dover District Council has repeatedly called for the dualling of the whole of the A2 from Lydden to Dover Eastern Docks and other transport infrastructure to support the smooth flow of traffic in and out of the area.
- 4.5. On average, the Port of Dover handles approximately 10,500 lorries a day, with the Channel Tunnel receiving a further 6,000 lorries daily.

Port of Dover: Annual Traffic Statistics

Year	Road Haulage Vehicles	Passengers	Cars	Coaches
2017	2,601,162	11,723,411	2,180,611	79,638
2016	2,591,286	12,059,538	2,179,331	87,023
2015	2,539,918	13,008,400	2,335,531	96,592

Source: [Port of Dover - Performance](#)¹⁷

Eurotunnel: Annual Traffic Statistics

Year	Road Haulage Vehicles	Passengers	Cars	Coaches
2017	1,637,280	10.4m	2,595,247	51,229
2016	1,641,638	10.6m	2,610,242	53,623
2015	1,483,741	10.5m	2,556,585	58,387

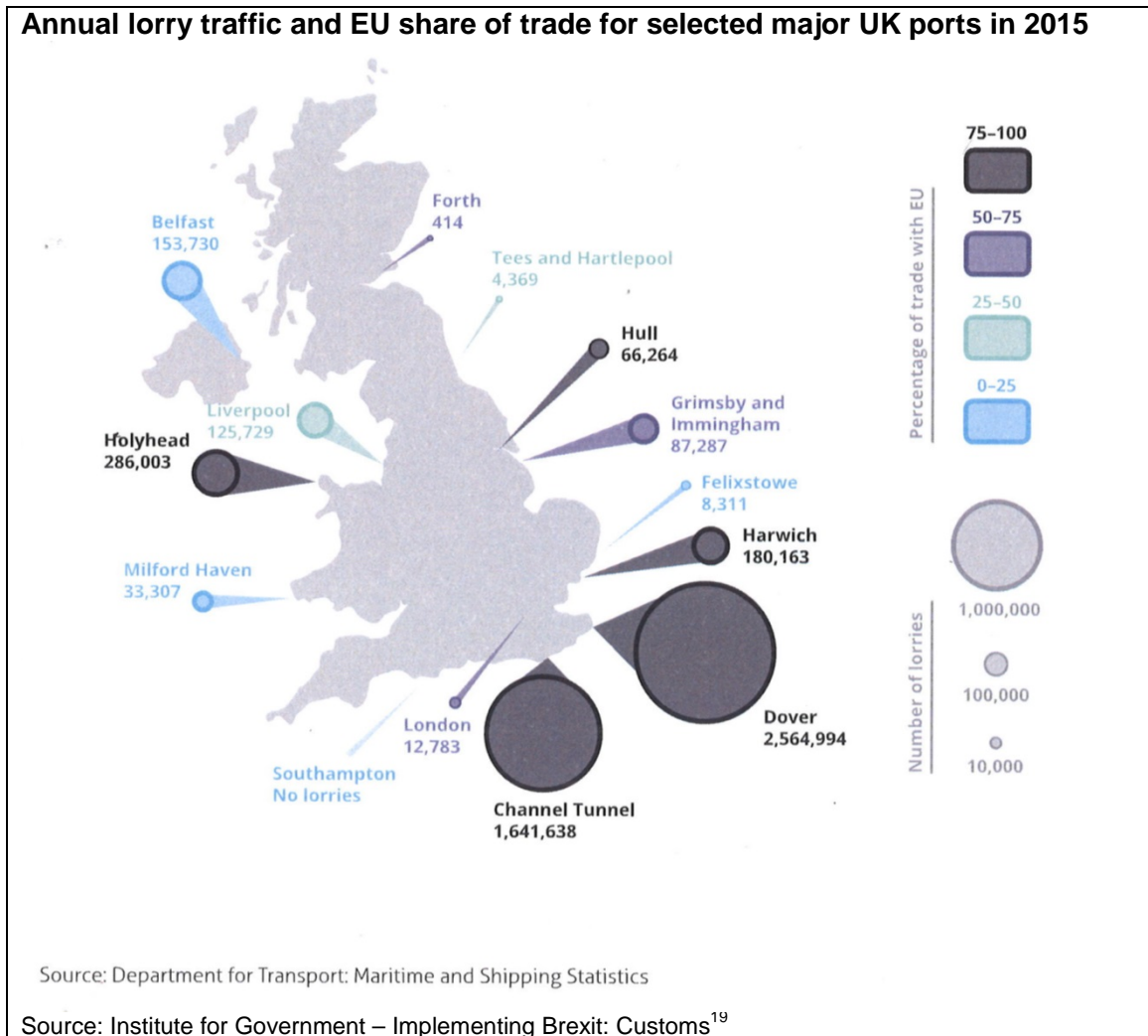
Source: [GetLink Traffic Figures](#)¹⁸

¹⁶ Freight fluidity for UK gateways to Europe paper 2015

¹⁷ <https://www.doverport.co.uk/about/performance/>

¹⁸ <https://www.getlinkgroup.com/uk/eurotunnel-group/operations/traffic-figures/>

Annual lorry traffic and EU share of trade for selected major UK ports in 2015



- 4.6 Dover District Council has called for clarity on post-Brexit arrangements and guarantees from the Government that it will put in place adequate support, funding and contingency planning – particularly in the event of a hard / high friction Brexit.
- 4.7 As previously reported, freight vehicles currently only take seconds to clear the Port of Dover but if Brexit ends up creating regulatory and tariff barriers between the UK and the EU, it is predicted that there could be gridlock around the town and on main roads across Kent to Maidstone and beyond. If increased waiting times persisted then perishable goods could be damaged and supply chains interrupted. Congestion on this scale would have a serious effect on the day-to-day activities of both residents and local businesses. The potential air quality impact of the anticipated increased border control traffic will need careful monitoring.
- 4.8 According to an Institute for Government report, documentary checks are carried out on less than 3% of imports (non-EU and further specialist checks may take place for highly regulated goods).²⁰ This means that more than 300 lorries a day could be stopped at the Port of Dover if they are checked at a similar rate.

¹⁹ https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_Brexit_customs_WEB_0.pdf

²⁰ https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_Brexit_customs_WEB_0.pdf

- 4.9 Customs checks on imports from outside the common market can take between 5 minutes to 45 minutes per vehicle. Port of Dover officials have warned that increasing the average time it takes to clear customs by as little as two minutes could lead to 17-mile traffic jams²¹.
- 4.10 Customs goes beyond simply the collection of tariffs on goods as they are traded. It involves enforcement of a wider set of rules and regulations, for example checks on animals and animal products as well as product safety checks. Please see Appendix 6 highlighting what checks and controls need to be carried out on goods entering, transiting or leaving the customs territory of the European Union.

Contingency Planning

- 4.11 In preparation for the UK's exit from the EU, Dover District Council is one of a number of Category 1 responders²² working through the [Kent Resilience Forum](#)²³ (KRF), developing and testing plans to address issues arising from any possible disruption at the Dover Straits ports, due to delayed freight and tourist traffic.
- 4.12 The contingency planning being undertaken, based on Government advice, includes a possible 'Day 1 No Deal' scenario, which would result in there being no transition period – the so-called 'cliff edge'. 'No deal' means that the UK would be treated by the EU as a 'third country' and would be subject to full third country controls, including completing customs declarations and being subject to a variety of border checks.
- 4.13 The KRF Threat and Risk Assessment highlights the risks and impacts associated with a 'no deal' scenario as this presents an obvious immediate risk to Kent communities, businesses and the members of the KRF in terms of managing significant transport issues and continuing to deliver its most critical services within that context.
- 4.14 In making plans to deal with potential delays to channel crossings, whilst the agencies involved are clearly not able to predict with any certainty either the period of disruption or the levels of traffic involved, the government is giving guidance on the potential impact.
- 4.15 If the French authorities do treat UK as a 'third country', this will lengthen checks at the border considerably. The Government is indicating that it has no plans to introduce additional controls on incoming freight so any queues will be on this side of the channel. We also understand that the Government is reviewing the list of goods categorised as priority and how arrangements can be made to allow these through.
- 4.16 With regards food exports from the UK, it is understood that only Dunkerque has inspection facilities for food being imported from a third country such as the UK. Calais has no such facilities, which would take several years to put in place and so the expectation is that much of the outgoing food exports through Dover may cease. The impact of the loss of trade on both Dover and Calais ports and communities, and indeed the food industry as a whole, would need careful consideration.
- 4.17 The Department for Transport have advised that the Government is talking to other ports and plans are being developed to divert traffic to other ports depending on capacity.

²¹ Dover Harbour Board. Online at www.doverport.co.uk

²² Category 1 are organisations at the core of the response to most emergencies (the emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.

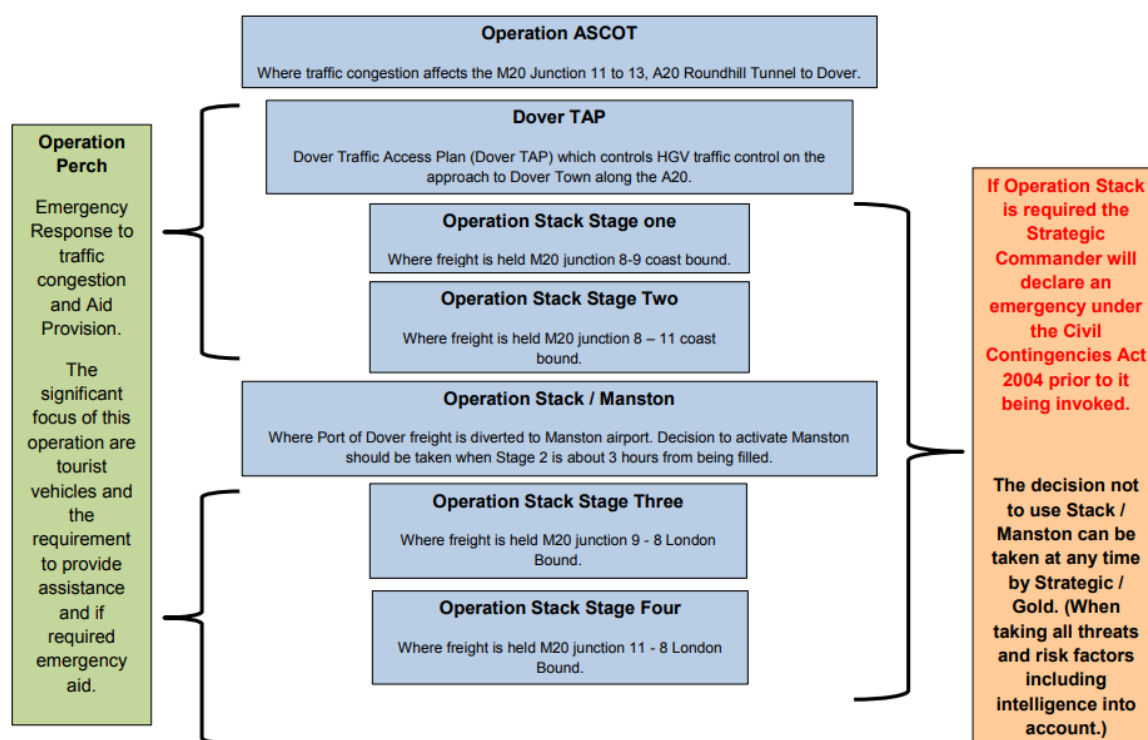
²³ <http://www.kentprepared.org.uk/>

- 4.18 The potential impact of Brexit on tourist traffic is still being assessed, especially given that the Easter weekend falls three weeks after Brexit, which is one of the peak weekends for traffic through the Dover Straits Ports.

Operation Fennel (Kent Strategic Coordinating Group)

- 4.19 Operation Fennel is the multi-agency response to adverse volumes of traffic that are unable to leave the country via the Port of Dover or the Channel Tunnel and collates Kent Police, Highways England, Kent County Council and Department for Transport plans together as a single source Kent Resilience Forum Plan.
- 4.20 There are various stages to Operation Fennel including Dover TAP, Operation Stack and Operation Perch, depending on the level of disruption. Please see following diagram.

Operation Fennel Stage Diagram



- 4.21 **Elements of the KRF contingency plans include Dover TAP and Operation Stack:**

A. Dover TAP: Traffic Assessment Project

- The Dover Traffic Assessment Project (TAP) covers a six-mile section of the A20, two-lane dual carriageway, from a point just east of Roundhill near Folkestone to the Western Heights Roundabout at Aycliffe, Dover.
- Although Highways England constructed and are responsible for maintaining Dover TAP, the traffic management aspects are operated by Port of Dover Police, with the Kent and Medway Safety Camera Partnership managing and enforcing the speed limits.
- TAP is not a substitute for the issues that activate Operation Stack and will not be used in place of Stack. TAP is a short-term rolling-road, controlling flows into the port when it is open. Stack is a longer-term means to hold lorries when the Port and / or Eurotunnel are experiencing traffic volumes outside their operational capacity.

B. Operation Stack

- a) Operation Stack is a multi-agency response including: Kent Police, Highways England, Port of Dover, Eurotunnel, Kent County Council and relevant district councils. It is implemented when either of the cross-Channel services is severely disrupted and involves the emergency use of large stretches of the M20 motorway to hold freight traffic bound for the Channel Tunnel or the Port of Dover.
- b) During the deployment of Operation Stack, Kent Police use powers under the Civil Contingencies Act 2004 to close affected sections of the M20 and direct coast-bound freight traffic to queue there.
- c) When Operation Stack is in place, freight is separated into two static queues on either side of the M20 carriageway - one for Eurotunnel traffic (on the inside lane) and one for Port of Dover traffic (on the outside lane). Space is left in the middle for safety, monitoring of drivers exiting vehicles, safe separation of hazardous goods, provision of humanitarian aid and to allow access for emergency vehicles. Queues are released at the request of the Port of Dover and Eurotunnel, with vehicles being moved forward as required, according to the amount of capacity becoming available.
- d) When the M20 is in use for Operation Stack, other traffic must be rerouted onto the local road network. This includes both local traffic and non-freight (largely tourist) traffic heading for the Port of Dover or Eurotunnel.
- e) When in use, Operation Stack can have a huge impact on the local and national economy, as well as Kent's residents. During the summer of 2015, Operation Stack was required on an unprecedented scale and frequency. At the peak, 7,000 Heavy Goods Vehicles (HGVs) were queued on the M20, taking 36 hours to work their way through. This disruption had significant national and local consequences.
- f) As a result, the Government and local stakeholders agreed that a trial measure to reduce the impact of Operation Stack on Kent should be designed and implemented while other short to longer-term mitigation measures were found. **Stack (Manston)** is designed to be the trial measure.

C. Stack (Manston)

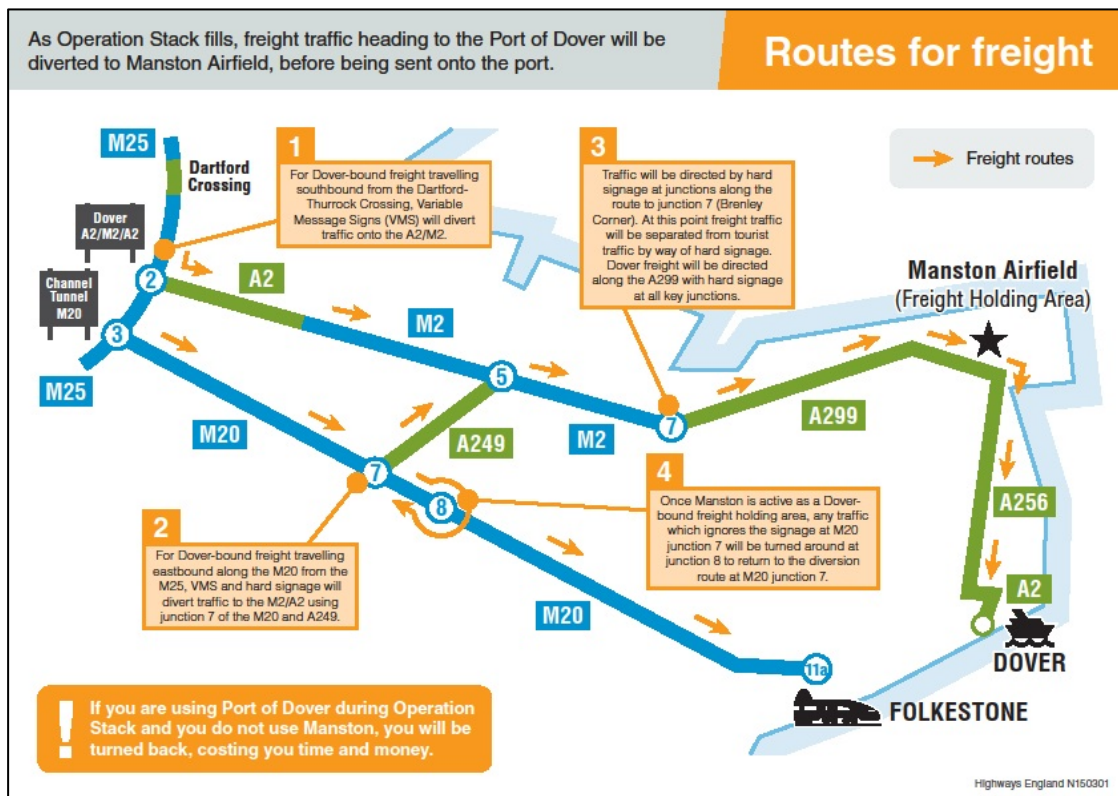
- a) From August 2015, arrangements for Operation Stack were amended to include the use of the former Manston Airport site (now known as "Stone Hill Park"), in Thanet, as an interim lorry park for Dover-bound traffic. These vehicles would be "drained" from the queue on the M20 carriageway, "leaving only Eurotunnel HGVs on the M20".
- b) Separating Port traffic from Tunnel traffic in this way is designed to avoid the deployment of Stages Three and Four of Operation Stack, meaning that the London-bound carriageway could continue to take traffic. The priority is to keep traffic and goods moving and ensure people on both sides of the Channel can go about their lives as normally as possible.

c) Operation Stack: Stages and vehicle capacity

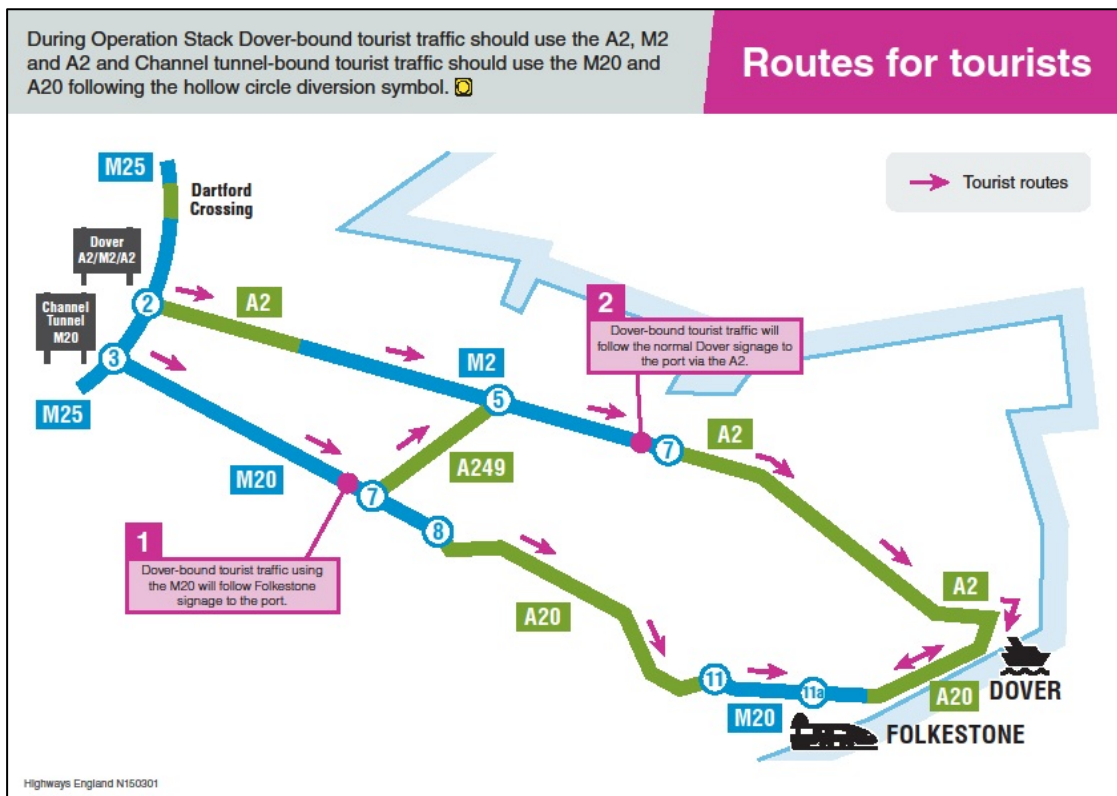
Operation Stack from 4 August 2015 (not yet implemented)			
Stage	Extent	Total freight vehicle capacity of each stage	Cumulative freight vehicle capacity
One	Where freight is held M20 junction 8 (Leeds Castle) to Junction 9 (Ashford West), M20 coast-bound carriageway	2,100	2,100
Two	Where freight is held M20 junction 8 to Junction 11 (Hythe), M20 coast-bound carriageway	1,500	3,600
Three	Where freight is held M20 junction 9 to 8 London-bound carriageway	2,100	5,700
Four	Where freight is held M20 junction 11 to 8 London-bound carriageway.	7,200	7,200
Manston	Where Port of Dover freight is diverted to Manston (Stone Hill Park)	3,500 to 4,000*	

* Operational capacity of Manston depends on traffic conditions and may be less than the maximum parking capacity of the site.

d) Manston diversion route:



Source: Highways England



Source: Highways England

e) Feasibility of using Manston for freight

- When giving evidence to the Transport Committee on Operation Stack in 2015, Dover District Council commented that the impact on traffic of rerouting traffic from Manston to Dover, would be “horrendous”. This is due to a lack of dualling along stretches of the A256 (which connects Thanet and Dover) and the “log jam” that would occur. There were also other “policing issues”, such as preventing “rat-running through the local villages” to consider. During the inquiry, Kent Police also expressed concerns about the plan to use Manston.²⁴
- There are also serious concerns regarding the phased release of lorries and the ability to coordinate this with ferry crossings, to ensure ferries are not forced to leave with spare capacity.
- On 4th August 2015, the Department for Transport and Highways England announced that Manston would be used and a “new operational protocol” had been “agreed by a multi-agency group including Kent Police, Kent County Council, Highways England and Department for Transport officials.
- To date the Manston option has not been fully tested²⁵ and Dover District Council has stated repeatedly that any attempt to undertake a trial would be flawed as it would inevitably fail to effectively model driver behaviours, which the Council believes would lead to significant non-compliance if Stack Manston were ever to be used.
- Dover District Council therefore continues to argue that Stack Manston should only be considered in exceptional circumstances, when delays extend into days rather than hours.

²⁴ <https://publications.parliament.uk/pa/cm201617/cmselect/cmtrans/65/65.pdf>

²⁵ To date, there has been a desktop assessment and a very limited road test

f) **How Operation Stack currently works (from August 2015):**

- All freight will first be stacked between junctions 8, Maidstone Services, and 9, Ashford, of the coastbound M20 and that section of the motorway will be closed to non-freight traffic.
- If more space is needed the closed section will extend to junction 11, Westenhanger.

When Manston Airfield is in use during Operation Stack, the routes for freight will be:

- Dover-bound freight coming from the West will use the M20 to junction 7, Maidstone, where it will be diverted via the A249, M2, and A299 to Manston.
- Dover-bound freight coming from the North (Dartford Crossing) will use the A2, M2 and A299 to Manston.
- From Manston, freight will use the A256 and A2 to Dover.
- Channel Tunnel-bound freight will stay on the M20.

The routes for tourists will be:

- Dover-bound tourist traffic will be encouraged to use the A2, M2 and A2.
- If already on the M20 Dover-bound tourist traffic will be diverted off at junction 7, Maidstone, and via the A249, M2, and A2 to Dover.
- Channel Tunnel-bound tourist traffic will use the M20 and A20 following the hollow circle diversion symbol.

The routes will be clearly signed and at various junctions along the M20, M2, and onward to Manston there will be either a Highways England, a Kent County Council Highways, or Kent Police patrol, which is hugely resource intensive.

Vehicle recovery resources will be at strategic pinch points to keep the route moving in the event of a breakdown and will work under the supervision of traffic officers.

Road users affected by Operation Stack will be advised to plan ahead and check traffic conditions and advice from travel operators* before setting out; to leave plenty of time for journeys and while on the road to listen to travel news bulletins for latest information.

Travellers will also be urged to particularly look out for local signs and electronic message boards that will guide them to their destinations.

g) **Staffing for Operation Stack**

Kent Police are the lead responder of Operation Stack, and they work with supporting staff from the Port of Dover, Kent Fire and Rescue Service, Kent County Council and other members of the Kent Resilience Forum as required.

h) **Stack Exemptions**

The following vehicles are currently exempt from Operation Stack:

- Livestock vehicles
- Quick to Market Products
- Critical care emergency equipment
- Humanitarian Aid
- Class 1.4 and Class 7 hazardous goods
- Drop trailers
- Non Port traffic

- Vehicles/containers destined for Dover cargo terminal
- Depending on the length of time in Stack, vehicles with children (determined by Kent Police)

Operation Brock

4.22 Operation Brock is a proposal being developed in addition to Operation Stack. It is the interim plan to avoid cross-channel congestion²⁶ and will allow for the flow of traffic in both directions on the M20 using a contraflow on one carriageway while the other is used to queue lorries. It involves use of M20 J8 to J9: (2,000 vehicle capacity):

- Use the coast bound carriageway of the M20 to hold lorries in a queue separated into two lanes; one for Eurotunnel and one for Port of Dover, with traffic being held at traffic lights before J9 and then allowed to advance to Dover TAP.
- Other traffic to be contra flowed on lane 2 and land 3 of the London bound carriageway.
- London bound carriageway to be split with two running lanes maintained by using hard shoulder.
- Access from Maidstone services onto coast bound carriageway to be closed requiring traffic to go back to J7 and U-turn.

4.23 Operation Brock needs to be delivered before any change to customs arrangements in March 2019. Highways England has reported that the project has very little room for delay, and carries significant risks. Work has commenced on the M20 and Department for Transport reported to the National Audit Office that it was confident that the project would be delivered on time. Highways England reported that it remained on track to complete the project by March 2019.

4.24 Dover District Council has requested that any solution implemented should not impede the practical and physical operations of businesses operating in the Dover district, for example, haulage businesses being forced to travel to Maidstone to join the end of the queue to come back to Dover Port. However, the Operation Fennel Task and Finish Group have advised this cannot be achieved – please see 6.24 and the concerns expressed by Multipanel UK regarding the potential loss of fluidity across Europe.

4.25 The sequencing of the contingency plans will be

- Dover TAP;
- Operation Brock;
- Operation Stack Stages 1 and 2;
- Operation Stack Manston;
- Operation Stack Stages 3 and 4

Part of the M26 could also be used as a holding area for hundreds of lorries as part of wider resilience planning should further capacity be needed. The M26, 10-mile stretch of road connecting the M25 at Sevenoaks and the M20 near West Malling, is undergoing a series of closures for site surveys to install gates in the central reservation. Highways England has not commented further on the details of their plans.²⁷

²⁶ GOV.UK news, May 2018. <https://www.gov.uk/government/news/new-operation-stack-plans-to-keep-kent-moving>

²⁷ https://www.theguardian.com/politics/2018/oct/11/second-kent-motorway-is-possible-post-brexit-lorry-park?utm_term=R3VhcmRpYW4gVG9kYXkgVUstMTgxMDEy&utm_source=esp&utm_medium=Email&utm_campaign=GuardianTodayUK&CMP=GTUK_email

Permanent Solution to Operation Stack

- 4.26 Following the Government's announcement in November 2017 that it was withdrawing its decision to proceed with a lorry area at Stanford West near Junction 11 of the M20 due to a Judicial Review, the Department for Transport (DfT) instructed Highways England to develop a new solution. As a result, Highways England launched a Public Information Exercise on '*Solutions to Operation Stack: Managing freight traffic in Kent*²⁸, which ran from 11 June to 22 July 2018. The proposed approach could involve on-road provision (within or alongside existing motorway boundaries), off-road (on sites close to motorways or major roads) or a combination of both. Highways England did not propose any locations or sites at this stage.
- 4.27 Highways England also sought views on whether everyday 24-hour lorry parking should be provided at lorry holding areas to reduce the problem of illegal or inappropriate lorry parking in Kent, and whether they should include any border control facilities for lorries. It also presented a temporary on-highway solution to be in place from March 2019 (Operation Brock).
- 4.28 In July 2018, Dover District Council's Cabinet Member for Access responded to Highways England's consultation on Solutions to Operation Stack²⁹ with a letter outlining a number of key issues including:
- a) The impact of freight traffic includes two major issues, the impact of Operation Stack and the issues around overnight lorry parking
 - b) The two strategic routes to and from the Port of Dover (M20/A20 and M2/A2) need to be considered together, and joint solutions to Operation Stack and overnight parking are needed
 - c) The Dover Traffic Access Protocol (TAP) does not provide the long-term fix in the event that Operation Stack is implemented
 - d) DDC is currently engaging through the planning process with a number of enquiries for private sector overnight lorry parking facilities, which it is hoped Highways England will also engage with
 - e) DDC does not support the view that Manston Airport can provide an effective short-term solution for lorry parking in the event of Operation Stack
 - f) Solutions on M20 route should be accompanied by solutions on the M2/A2 route. Suggestions for a TAP scheme on the A2 should only be considered on the dual carriageway section, subject to confirmation of policing
 - g) A joined-up approach to infrastructure is long overdue and the dualling of the whole of the A2 from Lydden to Dover Eastern Docks should be given the highest priority. This would align with and support the Lower Thames Crossing, the strategic position of the Port of Dover, and the wider housing/growth agenda in East Kent.
- 4.29 During summer and autumn 2018, Highways England will continue to talk to many parties, including Kent County Council, local councils, Kent Police, the ports and the haulage industry. An options consultation is then expected to take place in winter 2018/19. It is not known when a preferred solution will be announced. Any scheme taken forward will involve extensive public consultation and will require a full environmental impact assessment.

Strategy for Key Ports

- 4.30 With 95 per cent of British imports and exports travelling by sea, including half the food and a quarter of the energy consumed in the UK, ports will have a central role in attempts to boost trade after Britain leaves the European Union.

²⁸ <https://highwaysengland.co.uk/projects/solutions-to-operation-stack-managing-freight-traffic-in-kent/>

²⁹ <https://www.dover.gov.uk/News/Press-Releases/2018/Dover-District-Council-Responds-To-Operation-Stack-Consultation.aspx>

- 4.31 The Department for International Trade has launched a new [Export Strategy](#)³⁰, setting out how the government, in partnership with other providers of export support in the public and private sector, can help businesses overcome the barriers to exporting. The Government's long-term ambition is to increase total exports as a proportion of GDP from 30% to 35%.
- 4.32 A steering group that includes the British Ports Association, the UK Major Ports Group, Maritime UK and the UK Chamber of Shipping is also reported to be developing a campaign urging Britain's port towns to take advantage of Government assistance for exporters, which is set to launch in the autumn. The Council will look to signpost information to local businesses.

Port of Dover: Trans-European Transport Network

- 4.33 The Port of Dover and the Channel Tunnel offer the fastest, cheapest and most efficient crossing for goods to mainland Europe and is therefore the most logical / realistic crossing for hauliers.



Source: European Commission

- 4.34 The Dover to Calais route is currently the only core seaway identified by the EU as connecting the UK with mainland Europe as part of the Trans-European Transport Network (TEN-T). As part of the North Sea-Mediterranean Corridor (one of ten core TEN-T network corridors) the Port is part of a comprehensive network, distinguished by its strategic importance for European and global transport flows. Last year, 2.6 million road haulage vehicles passed through the Port, with freight traffic having grown by 30% in the last three years.
- 4.35 An article on the Port Strategy website³¹ says that with the growing expectance of a 'no deal' Brexit, ports need to weigh preparations against commercial practicalities. Brexit promises profound, and physical, implications for the UK's ports. One of the most significant is that a lot of

³⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/737201/HMG_Export_Strategy.pdf

³¹<http://www.portstrategy.com/news101/world/europe/spaced-out-on-brexit-plans>

land will be needed near roll-on, roll-off ports as the time taken to process both passenger and freight vehicles increases. The timescale for necessary upgrades is a key risk for the UK's ports sector.

- 4.36 The Government has suggested sending food exports to the Netherlands and Belgium via ports along the east England in Essex and Suffolk, rather than Dover to France, in a bid to avoid potential security checks in Calais and delays at Dover in the event of a no deal Brexit, and also on the understanding that the Dutch ports have greater capacity to test food imports.
- 4.37 The Port of Dover has stressed that the current main shipping route is more logical than any proposed alternatives and warned³² the proposal faces capacity and efficiency problems. It said: "There is no substitutable capacity elsewhere that can handle the type and volume of goods that the Port of Dover does" and "Diverting a bit of Dover's traffic elsewhere would still leave the majority of important UK and EU 'just-in-time' goods held up if Dover becomes subject to delays." The port is clear that both industry and government focus "should remain on maintaining the fluidity of this vital cross-Channel link rather than diverting attention to less efficient routes".

Port of Calais: Cross-Border Collaboration

- 4.38 Dover District Council recognises the importance of cross-border collaboration. One of our Corporate Priorities is to 'Develop a Dover Waterfront Masterplan to support Dover Harbour Board's Western Dock Revival project and the regeneration of the area and keep pace with the Port of Calais development'.
- 4.39 Representatives of Hauts de France have been invited to attend the next meeting of the Dover District Brexit Taskforce later this month (October).
- 4.40 The Port of Dover and the Port of Calais have already been working together to prepare for the growth in trade. In recognition of the importance to the EU economy of the £100 billion a year route through Dover and Calais, the European Commission awarded £104 million funding to support major improvement projects on both sides of the Channel. The improvements are part of the BRIDGE (Building the Resilience of International and Dependent Gateways in Europe) project.
- 4.41 The Port of Dover is using the investment for the Dover Western Docks Revival project, to improve the efficiency of the ferry terminal as well as developing a logistics hub within the port. In France, the funding is being used on the Calais Port 2015 project - a scheme to build a new harbour, terminal and berths to accommodate the bigger ferries and provide port capacity for future growth.

³² <http://www.portstrategy.com/news101/world/europe/uk-urged-to-keep-dover-route>

5. BORDERS AND CUSTOMS ARRANGEMENTS

- 5.1. Border management is fundamentally important to national security, effective trade, tourism, well-managed migration, healthy communities and the environment.
- 5.2. The EU is the UK's largest trading partner for goods. From June 2017 to June 2018, UK goods exports to the EU accounted for 49% of the total value of UK goods exports, while imports from the EU were worth 54.9% of the total value of all UK goods imports.³³
- 5.3. Imported or exported goods must pass through customs. Taxes and duties may be payable on the goods depending on their nature, origin or intended destination. These include value added tax (VAT), excise duties (for example, on tobacco products) and customs duty. The UK is currently a member of the European Union (EU) customs union. This means that it does not levy customs duty on goods arriving from other EU member states, and businesses need only make a customs declaration if they trade with countries outside the EU.
- 5.4. HMRC is responsible for processing customs declarations and collecting revenue. Border Force (a part of the Home Office) is responsible for controlling the movement of goods and transport at the UK border, and carries out enforcement activity on behalf of HMRC.
- 5.5. The Government's triggering of Article 50 signalled its intention to leave the European single market and seek a new customs arrangement with the EU from March 2019. This means that importers and exporters currently trading solely within EU countries may need to start making customs declarations from 2019.
- 5.6. HMRC currently estimates that, subject to the new customs arrangements that are agreed with the EU, at least 145,000 intra-EU traders may also need to make customs declarations for the first time from March 2019. This would mean the number of customs declarations annually could increase to around 255 million, with peaks and troughs throughout the year³⁴.
- 5.7. The NAO's report on "The UK border", published in October 2017³⁵, provides Parliament with insights on the issues and challenges of managing the border (but does not seek to evaluate the government's progress in preparing for EU Exit).
- 5.8. The report finds that the EU Exit may bring complex new challenges (depending on the on-going negotiations):
 - a) The number of decisions that have to be made over whether to permit people and goods to cross the border could increase significantly (potentially 230% and 360% respectively) through the need to make decisions on traffic from the EU.
 - b) The replacement of (or significant changes to) border services currently provided by European member states.
 - c) It may require bespoke processes for managing the land border with Ireland
- 5.9. The UK wants to avoid customs checks at EU and UK borders, but at the same time wants the freedom to apply different tariffs from the EU. As mentioned previously, the White Paper on the future relationship between the United Kingdom and the European Union introduces the idea of a Facilitated Customs Arrangement.

³³ Office for National Statistics

³⁴ <https://www.nao.org.uk/wp-content/uploads/2018/06/The-Customs-Declaration-Service-a-progress-update.pdf>

³⁵ <https://www.nao.org.uk/wp-content/uploads/2017/10/The-UK-border.pdf>

“the phased introduction of a new Facilitated Customs Arrangement that would remove the need for customs checks and controls between the UK and the EU as if they were a combined customs territory, which would enable the UK to control its own tariffs for trade with the rest of the world and ensure businesses paid the right or no tariff, becoming operational in stages as both sides complete the necessary preparations” (Executive Summary)

- 5.10. After a meeting with the new Exiting the EU Secretary Dominic Raab on 26 July 2018, the EU’s Brexit negotiator, Michel Barnier, noted continuing difficulties in reaching agreement on the future economic relationship. They had agreed on preserving regulatory autonomy on both sides, but with regard to the proposed customs policy set out in the White Paper, he said: “The EU cannot – and will not – delegate the application of its customs policy and rules, VAT and excise duty collection to a non-member, who would not be subject to the EU’s governance structures”. These sentiments were broadly reiterated at the meeting between Michel Barnier and Dominic Raab on 21 August 2018.³⁶ The EU has since rejected parts of the Chequers Plan.
- 5.11. The LGA has stated that leaving the EU without access to reciprocal intelligence will weaken councils’ ability to protect public health and the economy.³⁷
- 5.12. Local government is responsible for checking food and feed imports and products of animal origin at ports of entry into the UK. The type and scale of services to be provided by councils after Brexit are dependent on a variety of factors. The nature of the UK’s future trading relationship with the EU is currently unknown, but it could create new demands on council services, with an increase in the number of checks that they are required to undertake – which would require substantial new resources.
- 5.13. As the checking of imports is risk-based, councils’ duties at ports – and beyond – are currently reliant upon UK access to European-wide databases which provide much of the intelligence for assessing risks. Such databases include:
- a) RASFF – the Rapid Alert System for Food and Feed, which provides notification of products there are problems with
 - b) TRACES – the Trade Control and Expert System, which records the movement of goods across Europe and ensures traceability of products.
- 5.14. Equivalent intelligence-sharing databases exist for other areas of trade, such as RAPEX, which provides product safety alerts for consumer goods. Access to an European-wide framework of rules and systems based upon scientific evidence, which ensures the traceability of high risk products, ensures local regulatory officers at councils have access to information that enables them to target their enforcement activity and protect public health.
- 5.15. Several government departments are responsible for the planning for future scenarios at a national level:
- a) The Department for Environment, Food and Rural Affairs will be considering how we regulate food, feed and animal origin products at the ports.
 - b) BEIS will be examining the issue of consumer goods, at ports of entry and inland.
 - c) The Department for Transport (DfT) will be looking at how to avoid queues at our ports.
- 5.16. These need to be customised to the experience of individual ports of entry, which vary greatly in size and services. Therefore, Dover District Council, and local partners, need to be part of the decision-making process.

³⁶ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8387>

³⁷ <https://www.local.gov.uk/about/news/leaving-eu-without-access-reciprocal-intelligence-will-weaken-our-ability-protect-public>

6. LOCAL ECONOMY AND WORKFORCE

- 6.1 Any shift in the balance of international trade and investment could have an impact on the Dover district. We therefore need to be in a position where we can seize any opportunities and maximise the benefits of inward investment for our local communities. This includes continuing to be fully engaged with the South East Local Enterprise Partnership and the developing Strategic Economic Plan (expected late 2018) and subsequent Local Industrial Strategy. Localis, an independent think tank, has announced that it will soon be publishing work on delivering the industrial strategy in Essex and Kent.³⁸ Kent County Council is also expected to consult on a new Enterprise and Productivity Strategy in autumn 2018.
- 6.2 In February 2018, the BBC³⁹ reported on semi-official forecasts, seen by MPs but not published, which model the 15-year impact of the UK staying in the single market, doing a trade deal with the EU or leaving without a deal. They suggest that whatever Brexit outcome emerges, the UK economy will be hit.
- 6.3 They estimate that economic growth would be 2% lower over a period of 15 years than would otherwise be the case if there were a deal involving single market membership, 5% lower in the event of a harder Brexit, and 8% lower if there is no deal. The forecast indicates that poorer areas would be harder hit.

Government assessment of Brexit deals on economic growth over 15 years compared to current forecasts			
Government region	Single market	Free trade	No deal
East Midlands	-1.8%	-5%	-8.5%
Eastern	-1.8%	-5%	-8%
London	-1%	-2%	-3.5%
North-East	-3%	-11%	-16%
North-West	-2.5%	-8%	-12%
South-East	-1.5%	-4.5%	-7.5%
South-West	-1%	-2%	-5%
West Midlands	-2.5%	-8%	-13%
Yorkshire and Humber	-1.5%	-5%	-7%
Northern Ireland	-2.5%	-8%	-12%
Scotland	-2.5%	-6%	-9%
Wales	-1.5%	-5.5%	-9.5%
UK	-2%	-5%	-8%

Source: BBC

³⁸ https://www.localis.org.uk/wp-content/uploads/2018/03/016_Localis_IndustrialStrategy2018_WEB_AWK_REV.pdf

³⁹ <https://www.bbc.co.uk/news/uk-politics-42977967>

- 6.4 In September 2018, the British Chambers of Commerce (BCC) downgraded its prediction for UK growth this year as Brexit uncertainty hits investment and trade. Economists at the BCC said GDP growth will fall to 1.1 per cent from a previous forecast of 1.3 per cent while next year it will hit only 1.3 per cent, down from 1.4 per cent.⁴⁰
- 6.5 Several major companies, such as Airbus and BMW, have also expressed concerns about a possible no deal outcome. The chief executive of Jaguar Land Rover told the prime minister that the company's factories faced grinding to a halt and "tens of thousands" of jobs in the sector could be lost if she failed to reach an agreement with Brussels.

Businesses in the Dover District

- 6.6 The Local Plan Business Survey, which includes a question on Brexit, is still open and therefore the results are not yet available.
- 6.7 The Government has started publishing a series of 'no deal' Brexit assessments, designed to prepare the country and minimise the impact of a no deal on British firms, citizens, charities and public bodies. Its 'no deal' overview document states that "*Businesses and citizens should consider whether they need separate professional advice before making specific preparations*". However, an Institute of Directors survey of 800 business leaders in August 2018 revealed that less than a third of businesses have done any contingency planning. Half of businesses say they do not intend to draw up plans, with smaller firms more likely to be in this category. Nearly 1 in 2 of these firms say this is because they will only be making adjustments once the future relationship becomes clearer⁴¹.
- 6.8 The Government is expected to publish the final batch of 'no deal' technical notices on 12th October 2018. Documents are expected to include a 'Day 1, No Deal' paper, covering key issues for business.
- 6.9 HM Revenue and Customs is also preparing a 'Partnership Pack' to communicate the impact of a 'no deal'. This is expected to be published the end of October 2018 and should help to address concerns of a lack of readiness for businesses unfamiliar with meeting customs obligations.
- 6.10 Dover District Council is hosting a Business/Skills Breakfast meeting with a Brexit theme in November and has invited the Brexit Minister to speak at the event. This will also be used to raise awareness and signpost local businesses to resources to encourage them to become more Brexit ready and be in a position to seize any opportunities.
- 6.11 Dover District Council plays an active role in facilitating and enabling continued economic growth in the district. An important part of this is promoting the district to attract inward investment. Recently, this has resulted in a £53 million investment at St. James' retail park in Dover, which is now acting as a catalyst for other regeneration projects, with a number of development opportunities in and around the town centre beginning to appear. The St. James' development is bringing footfall back into the town and we are working to strengthen the linkages to the wider town centre (Old Town) and supporting local businesses. Part of this work includes the strategic acquisition of the former Co-op site, to be used as meanwhile "incubator spaces" for fledgling businesses to prove their viability and acting as a stepping stone to acquiring permanent premises in other parts of the town. It is important that we keep capitalising on the momentum that we have been building in a post-Brexit environment.

⁴⁰ <https://www.britishchambers.org.uk/news/2018/09/bcc-uk-growth-forecasts-downgraded-as-brexit-uncertainty-hits-investment-and-trade>

⁴¹ <https://www.iod.com/news/news/articles/Companies-still-in-the-dark-on-no-deal-planning>

Changes to Customs Arrangements

- 6.12 If there is no deal and Britain reverts to "third country" status, the government has provided a long list of preparations that firms, which export and import to and from the EU will be required to undertake.
- 6.13 Customs declarations would be needed, tariffs (import and export taxes) "may also become due" and the government also says firms are likely to need to invest in new computer systems to track goods.
- 6.14 The government says: *"If the UK left the EU on 29 March 2019 without a deal, there would be immediate changes to the procedures that apply to businesses trading with the EU. It would mean that the free circulation of goods between the UK and EU would cease."*
- 6.15 Leaving the single market and the customs union without a deal means significantly higher barriers to trade with the EU. In addition, higher costs for firms that are engaged in that trade.
- 6.16 The Government's 'No Deal' guidance warns importers and exporters to *"begin taking steps to mitigate against"* a no-deal exit. However, one of the UK's largest customs brokers has warned in an interview with the BBC of a 500% rise in customs processing if there is no deal and said it will be "very difficult to cope" if there is no Brexit deal. It can take between two to five years to train to be a customs broker.⁴²
- 6.17 The House of Lords European Union Committee's report "Brexit: The Customs Challenge" report⁴³ highlights that, in addition to the costs that may result from the imposition of tariffs when exporting to or importing from the EU, any departure from current customs arrangements for UK-EU trade would add administrative costs.
- 6.18 Businesses would need to upskill their workforce to ensure they were familiar with the new customs procedures. Some organisations, particularly small and medium-sized enterprises (SMEs), may not have sufficient resources to allocate the management of the customs paperwork to dedicated staff. Instead, they may opt for outsourcing this to a customs agent or freight forwarder, which would come at considerable cost. And even if businesses decide to outsource the management of customs procedures, they cannot outsource everything, for example the certificate of origin, the information about the goods, the tariff code classification has to come from the small business.
- 6.19 Those businesses that do not already trade outside the EU may also need specialist software to enable them to interact with HM Revenue and Customs systems (CHIEF: Customs Handling of Import and Export Freight and the new CDS: Customs Declaration Service), unless they decide to outsource that part of the process to customs brokers or freight forwarders. Either option would come at a cost.
- 6.20 Overall, HMRC has estimated that if customs declarations were introduced between the UK and the EU, there would be "between £17 billion and £20 billion of administrative costs per year". By contrast, HMRC estimate the additional administrative burden under the Government's proposed Facilitated Customs Arrangement to be £700 million a year.
- 6.21 According to new research from the Chartered Institute of Procurement & Supply (CIPS), published September 2018, one in ten UK businesses fear they would face collapse if goods were delayed by just 10 – 30 minutes at customs as a result of Brexit.⁴⁴

⁴² A customs broker submits electronic declarations on behalf of import and export traders.

⁴³ <https://publications.parliament.uk/pa/ld201719/ldselect/ldeucom/187/18702.htm>

⁴⁴ <https://www.cips.org/en-gb/who-we-are/news/delays-of-just-half-an-hour-at-customs-could-cause-one-in-ten-businesses-to-go-bankrupt/>

- 6.22 The CIPS report finds that UK businesses are taking steps to mitigate the risk of increased delays at the border. More than a quarter (28%) of UK businesses have said they will stockpile goods, with 4% already starting to do so while 23% are planning to stockpile in the future.
- 6.23 Other steps being taken by businesses to alleviate the potential impact of customs delays include building greater flexibility into contracts (21%) and looking for alternative suppliers outside the EU (21%). Half of UK companies (50%) said they would struggle to find the suppliers and skills they need in the UK if they were forced to re-shore parts of their supply chain post-Brexit.
- 6.24 Conversely, almost two fifths (38%) said they cannot prepare at all as future trade arrangements are still too unclear.
- 6.25 ITV news recently showed an interview with Multipanel UK⁴⁵, based in the Dover district, voicing concerns about the potential loss of fluidity across Europe due to delays at the Port / Channel Tunnel and the knock-on effect this could have to its distribution partners across Europe, incurring the company possible financial penalties and potentially losing it customers.⁴⁶ Please see 4.24 regarding Dover District Council request that any solution implemented should not impede the practical and physical operations of businesses operating in the Dover district.
- 6.26 In 2014, Multipanel UK, one of the world's leading suppliers of aluminium composite panels, moved its manufacturing operation back to the UK from China, choosing Dover as its preferred location due its excellent transport links with the UK and mainland Europe. It also relocated its distribution centre to Dover so that the company's manufacturing and distribution was in one central location. It exports to 60 countries and Dover's geographical position gives the company a key advantage over its competitors in terms of lead time.

Migration and Access to Skills

- 6.27 Under the current immigration system, workers from the European Economic Area (EEA) - which includes all EU countries including the UK, as well as Norway, Iceland and Lichtenstein - enjoy freedom of movement, travelling and working within the area without visas.
- 6.28 As noted in our previous impact report, there is no official data collated / available as to the level of EU citizens within the local workforce.
- 6.29 Nationally, it is reported that the UK relies heavily on non-UK EU citizens to deliver vital services. The government has said it wants EU nationals living in the country to be able to stay, with Brexit Secretary Dominic Raab saying in August 2018 that this applied whether there was an agreement on the terms of exit or not. While stopping short of guaranteeing their future, Mr Raab said that it was "inconceivable" that non-UK citizens would be asked to leave whatever the outcome of current negotiations with the EU.
- 6.30 The estimated three million EU residents in the UK have until the end of June 2021 to register for "[settled status](#)".⁴⁷ A group of university students and NHS workers in the north-west of England are currently taking part in a trial to test the system before it opens later this year.

⁴⁵ <https://www.multipanel.co.uk/>

⁴⁶ 'Does Brexit mean it's over for the Port of Dover?': <https://uk.news.yahoo.com/does-brexit-mean-over-port-215618731.html?guccounter=1>

⁴⁷ <https://www.gov.uk/settled-status-eu-citizens-families>

- 6.31 The scheme is due to open fully on 30 March 2019, with settled status granted to EU nationals who have lived in the UK for five years - unless they have serious criminal convictions or for security reasons.
- 6.32 Those who are resident in the UK by 31 December 2020 but who have not lived in the UK for five years will get pre-settled status, which allows them to live and work in the UK until they reach the five-year mark and can claim settled status.
- 6.33 Post-Brexit, the Government will need to implement a new Migration Policy – however, it has delayed the publication of a White Paper. It is now expected in autumn 2018.
- 6.34 In August 2018, the British Chamber of Commerce said that the delay in publishing a white paper is damaging the economy. It says that the current lack of clarity on the UK's future migration policy is having serious repercussions and that, since the referendum, there has been a significant decrease in the number of EU citizens coming to work in the UK – and a significant increase in the number of vacancies firms cannot fill.⁴⁸
- 6.35 It is recognised that there is also a need to fill the skills gap and for employers to work with local school and colleges and invest in training and developing local people to fill any vacancies.
- 6.36 The LGA has highlighted that the UK is already suffering an endemic skills crisis and Brexit provides an opportunity to think radically about how to address this skills gap. '[Work Local](#)'⁴⁹ is the LGA's vision for an integrated and devolved employment and skills service.
- 6.37 In July 2017, the Government commissioned the Migration Advisory Committee (MAC) - which is made up of independent experts - to research the role of European workers in the UK and the implications of ending their freedom of movement after Brexit.
- 6.38 MAC's report⁵⁰, published 18th September, provides recommendations for the UK's post-Brexit work immigration system. It says that the cap on the number of high-skilled migrants coming to the UK should be scrapped and EU workers should be subject to the same visa rules as other migrants.
- 6.39 With regard to low-skilled workers, the committee says it is "not convinced there needs to be a work route for low-skilled workers" from the EU to fill jobs in industries such as catering or hospitality. The "possible exception" to this rule could be for seasonal agriculture, where 99% of the workers come from EU countries.
- 6.40 The UK Government's Cabinet on 24th September have now agreed in principle that after Brexit EU nationals and people from other parts of the world should face the same immigration rules if they want to come to live or work in the UK. A white paper setting out the new immigration policy is due to be published later this autumn.
- 6.41 Therefore there is still uncertainty on the issue of migration. The Chartered Institute for Personnel and Development (CIPD) has a Brexit Hub to help employers prepare for Brexit and the practical steps that need to be made⁵¹.

⁴⁸ <https://www.theguardian.com/commentisfree/2018/aug/23/britain-post-brexit-immigration-policy-white-paper>

⁴⁹ <https://www.local.gov.uk/topics/employment-and-skills/work-local>

⁵⁰ https://www.gov.uk/government/publications/migration-advisory-committee-mac-report-eea-migration?utm_source=b438e527-b25e-4df9-a7e4-4fc2f2972dd6

⁵¹ <https://www.cipd.co.uk/news-views/brexit-hub>

Tourism

- 6.42 Tourism is an important part of the local economy and the UK hospitality sector is heavily dependent on EU nationals.
- 6.43 An additional impact would come if entry to the UK from the EU required visas or an American-style Electronic System for Travel Authorisation (Esta) after Brexit. Bernard Donoghue, the director of the Association of Leading Visitor Attractions, said: "We know that every time the UK has imposed a visa or Esta-type requirement to come to the UK, leisure visitors in particular have dropped off a cliff almost immediately."⁵²
- 6.44 The Council has concerns that disruption to road travel across the County, as a consequence of Brexit, could in the short term adversely impact on the tourist economy in East Kent as tourists seek to avoid the area for fear of getting caught up in traffic delays. This reinforces the need to ensure that main roads across the County remain open and emphasise the importance of using news and social media effectively to spread the message that East Kent remains open for business.

⁵² <https://www.museumsassociation.org/museums-journal/news/08082018-no-deal-brex-it-vast-consequences-cultural-economy>

7. FUNDING

UK Shared Prosperity Fund

- 7.1. Following the referendum, one of the biggest concerns for councils has been addressing the potential €10.5 billion (£8.4 billion) UK-wide funding gap for local government that would immediately open up from the point the country officially exited the European Union, unless a viable domestic successor to EU regional aid was in place.
- 7.2. In its manifesto, the Government pledged to create a UK Shared Prosperity Fund to replace the money local areas currently receive from the EU. The LGA has said Brexit provides a historic opportunity to give local areas greater say over how to target regional aid funding at local projects of benefit for local people and economies and best support infrastructure, environment, enterprise and social cohesion⁵³.
- 7.3. There has yet to be consultation on the detail of what the UK Shared Prosperity Fund (UKSPF) will look like when it replaces current funding from 2021 onwards; nor has the Government committed to fully replacing the funding. The Government has said it will hold a consultation by the end of 2018.
- 7.4. The MHCLG says that the replacement of the EU Structural Fund presents opportunities to streamline the process and make it more community-led. The department has also highlighted the potential for growth in local areas from the Government's Industrial Strategy.

Emergency Replacement of EU Funds

- 7.5. The LGA has highlighted that, in the event of a no-deal, the Government will need to inject an emergency replacement for EU funds in March 2019 to bridge any funding gap when the current EU funding round ends in December 2020 and prevent negative implications for local economies.

Farming Subsidies

- 7.6. Farmers currently receive £3bn in annual subsidies from the EU. The Government has said that farming subsidies would be guaranteed until the 2022 General Election, with a transitional period to follow in England.
- 7.7. The government is planning a major overhaul of farming policy after the UK leaves the EU and published a consultation⁵⁴ in February 2018, accompanied by a series of regional events and policy roundtables.
- 7.8. The [Agriculture Bill](#) was introduced to Parliament on 11th September 2018. The Bill replaces the current subsidy system of Direct Payments and works on the principle of 'public money to public goods'. Among the public goods to be rewarded are better air and water quality, improved soil health, higher animal welfare standards, public access to the countryside and measures to reduce flooding. The Bill also has a specific clause to allow the provision of financial assistance to improve agricultural productivity. There are also measures to improve fairness and transparency in the supply chain and give farmers a transition period of seven years to adjust to the new system.

⁵³ <https://www.local.gov.uk/topics/european-and-international/beyond-brex-it-future-funding-currently-sourced-eu>

⁵⁴ <https://www.gov.uk/government/consultations/the-future-for-food-farming-and-the-environment#history>

- 7.9. The Environment, Food and Rural Affairs Committee has launched a short inquiry on the scope, provisions and powers proposed in the Agriculture Bill. Written submissions are requested by 8th October.

European Investment Bank

- 7.10. As a member of the European Union and a shareholder contributing into the European Investment Bank (EIB), the UK currently has access to the EIB's loans and guarantees, which typically help fund small and medium-sized enterprise (SME) development and major infrastructure loans such as housing. The UK has been the fifth largest recipient of the EIB.
- 7.11. The EIB typically offers a cheaper long-term source of finance than is available from many private equivalents, and is often willing to invest in slightly higher risk projects than many commercial lenders, whilst providing greater protection to the public element of the investment.
- 7.12. Under the UK/EU draft withdrawal agreement, from the beginning of the transition period next year, the UK will no longer be eligible for billions of pounds worth of EIB monies reserved for EU members.
- 7.13. The LGA says that major affordable housing developments and large infrastructure projects, as well as smaller investments and SMEs, have benefitted enormously from access to European Investment Bank (EIB). It is calling for the Government to set out how it will make equivalent lending alternatives to the EIB available in England after Brexit.⁵⁵
- 7.14. The 2017 Annual Report and Accounts for the Port of Dover states that, in early 2018, it had commenced drawing down money under the £200 million facility negotiated with UK institutions and the European Investment Bank.

⁵⁵ <https://www.local.gov.uk/about/news/lga-government-urged-clarify-access-vital-infrastructure-funding-post-brexite>

8. LEGISLATION

Government Brexit Legislation

8.1 Several 'Brexit Bills' need to make their way through Parliament before the end of the transition period⁵⁶:

- a) **EU (withdrawal) Bill⁵⁷: Received Royal Assent on 26 June – now an Act and law.**
The Act will keep most existing EU law as UK domestic law after Brexit in order to ensure the continuity and completeness of the UK's legal system. It will also confer wide powers on the Government to amend that retained EU law in order to remedy or mitigate any deficiencies arising from the UK's withdrawal from the EU. This remedial work will require around 800 legislative instruments, plus further regulatory changes.⁵⁸
- b) **Sanctions and Anti-Money Laundering Bill⁵⁹: Received Royal Assent on 23 May – now an Act and law.**
Currently, most UK sanctions and anti-money laundering (AML) measures originate from EU acts. This Act will enable the UK to impose and implement sanctions to comply with international obligations. It will also support wider foreign policy and national security goals.⁶⁰
- c) **Nuclear Safeguards Bill⁶¹: Received Royal Assent on 26 June – now an Act and law.**
This Act makes legal provision to enable the continuation of nuclear safeguards after the UK's withdrawal from the European Atomic Energy Community as part the country's Brexit implementation.⁶²
- d) **Haulage Permits and Trailer Registration Bill⁶³: Received Royal Assent on 19 July 2018 – now an Act and law.**
This Act ensures that the UK has the powers it needs to support British hauliers to continue operating internationally after exiting the EU. Although the government wishes to retain reciprocal access for road hauliers through its negotiations, it is possible that the future exit deal could require a form of permitting system and the government needs to have legal frameworks in place to introduce a new administrative structure.⁶⁴
- e) **Trade Bill⁶⁵:**
This bill completed its legislative stages in the House of Commons and was introduced in the House of Lords on 18 July 2018. It is scheduled to have its second reading on 11 September 2018. It would make some of the legislative changes needed to enable the UK to implement an independent trade policy once it has left the EU, including:
 - Creating the necessary powers for the UK to transition (or roll over) trade agreements that currently exist between the EU and other countries which the UK is party to through EU membership.
 - Allowing the UK to implement the Agreement on Government Procurement (GPA) independently rather than as an EU member.
 - Establish a new independent UK body, the Trade Remedies Authority, to defend UK businesses against unfair trade practices.
 - Ensure the UK Government has the legal ability to gather and share trade information.

⁵⁶ There would be no transition period in the event of a 'no deal'

⁵⁷ <https://services.parliament.uk/Bills/2017-19/europeanunionwithdrawal.html>

⁵⁸ https://www.cliffordchance.com/briefings/2018/07/the_european_unionwithdrawalact2018whati.html

⁵⁹ <https://services.parliament.uk/Bills/2017-19/sanctionsandantimoneylaundering.html>

⁶⁰ <https://www.gov.uk/government/news/sanctions-and-anti-money-laundering-act-receives-royal-assent>

⁶¹ <https://services.parliament.uk/Bills/2017-19/nuclearsafeguards.html>

⁶² <https://www.gov.uk/government/news/uk-nuclear-safeguards-on-track-for-eu-exit>

⁶³ <https://services.parliament.uk/Bills/2017-19/haulagepermitsandtrailerregistrationbill.html>

⁶⁴ <https://www.gov.uk/government/news/haulage-and-trailers-act-bolsters-eu-exit-preparations>

⁶⁵ <https://services.parliament.uk/Bills/2017-19/trade.html>

- The Trade Bill does not make specific provision for the terms of the UK's future trading relationship with the EU or provide for new trade agreements with third countries that do not currently have a trade agreement with the EU. A separate bill, the Taxation (Cross-border Trade) Bill, is intended to make tax-related provisions relating to the UK's future international trade policy.

f) **Taxation (cross-border trade) Bill⁶⁶:**

This Bill, also known as the Customs Bill, was introduced following the publication of a white paper in October 2017 on legislating for the UK's future customs, VAT and excise regimes. The Bill passed third reading in the House of Commons on 16 July 2018. All of the Bill's stages in the House of Lords are scheduled to take place on 4 September 2018, and as a supply bill the Lords is 'debarred' from making amendments.

Amongst its provisions, the Bill would provide for the establishment of an independent customs regime once the UK has withdrawn from the EU. It would also amend existing VAT and excise legislation to abolish the EU concept of acquisition VAT and introduce a range of delegated powers including the imposition, administration, collection and enforcement of customs duty. The explanatory notes to the Bill state that the Bill does not presuppose any particular outcome from the UK's negotiations with the EU and allows for a range of outcomes, including an implementation period or the UK leaving without a negotiated outcome. The Taxation (Cross-border Trade) Bill and the [Trade Bill](#) are linked through the creation, and operation of a new Trade Remedies Authority (TRA).

g) **Agriculture Bill⁶⁷:**

This Bill was introduced to Parliament on 12th September 2018 and is scheduled to have its second reading on 10th October 2018. The Bill was introduced following a consultation that received 43,356 responses and 127,183 signatures across 3 petitions: "[Health and harmony: the future for food, farming and the environment in a Green Brexit](#)".

The Bill replaces the current subsidy system of Direct Payments and works on the principle of 'public money to public goods'. Among the public goods to be rewarded are better air and water quality, improved soil health, higher animal welfare standards, public access to the countryside and measures to reduce flooding. The Bill also has a specific clause to allow the provision of financial assistance to improve agricultural productivity. There are also measures to improve fairness and transparency in the supply chain and give farmers a transition period of seven years to adjust to the new system.

h) **Migration / Immigration:** Not started – a White Paper is expected in autumn 2018.

i) **Fisheries:** Not started – a White Paper and consultation "Sustainable fisheries for future generations" was published on 4th July 2018⁶⁸.

j) **Withdrawal agreement and implementation:** Not started.

Environmental Standards

8.2 Concerning environmental standards, the Government's [White Paper on The Future Relationship between the United Kingdom and the European Union](#) states that there will be "no regression" of existing EU regulations on air quality, water pollution and waste management after the UK's departure.

⁶⁶ <https://services.parliament.uk/Bills/2017-19/taxationcrossbordertrade.html>

⁶⁷ <https://services.parliament.uk/Bills/2017-19/agriculture.html>

⁶⁸ <https://www.gov.uk/government/news/government-to-publish-plan-for-an-independent-fisheries-policy>

Local Government and EU Law / Policy Making

- 8.3 Currently EU laws underpin many standards and regulations covering local government services, including waste management, environmental standards and trading standards. The EU (withdrawal) Act 2018 ensures legal certainty for councils on exit day, as those EU laws will continue to apply through UK law, even under a no-deal.
- 8.4 The transition period, under the draft withdrawal agreement, means that most current and new EU laws will continue to apply in the UK until at least 2020. This again provides some legal certainty and offers an opportunity to prepare for UK reviews of EU laws, with any changes coming into effect from 2021.
- 8.5 In March 2018, the LGA announced that the Government had agreed that, once the UK exits the EU, a process would be established to consult local government on matters they would have been consulted on through the EU Committee of the Regions⁶⁹. This means local government retains a say on legislative changes affecting it; and looking at some of the thousands of EU laws that affect local government that will need to be adopted or amended.
- 8.6 Details still need to be confirmed, although the Government has committed to publishing a written ministerial statement with the details of how new rights and responsibilities for local government will be implemented.
- 8.7 The LGA published a 'No deal and local government' briefing in August 2018⁷⁰, this covers headline issues such as laws regulating local government services. This highlights that relevant Statutory Instruments (SI) would need to be in place by 29 March 2019 to ensure legal certainty for councils, including the SIs to allow UK authorities to take over the regulatory roles of EU agencies. 'No deal' would also mean the absence of an implementation period to the end of 2020 agreed with the EU. There will also be some issues of transition to resolve. For example, a council may be half-way through a major procurement exercise using EU processes and systems.

Local Elections 2019

- 8.8 The LGA's paper also highlights that voting and standing rights in local elections are set out in European law and underpinned in UK law through the Representation of the People's Act. Under the current draft Withdrawal Treaty, the EU Treaty provisions in this area will not apply in the UK, though UK law remains. The same scenario would apply under a 'no deal'.
- 8.9 The LGA is seeking clarity from the Cabinet Office on this issue. The most urgent issue is the 2019 local elections. Whilst the LGA are assuming that the tenure of EU nationals already elected will remain, councils need to understand the rules for those voting and seeking election next year. Parties are currently selecting their candidates for 2019 and the deadline for the delivery of nomination papers is on the 3rd April 2019, a few days after the UK leaves the EU.

⁶⁹ <https://www.local.gov.uk/about/news/lga-government-agrees-consultative-rights-local-government-post-brexit>

⁷⁰ <https://www.local.gov.uk/parliament/briefings-and-responses/no-deal-and-local-government-briefing-august-2018>

9. GOVERNMENT FUNDING TO PREPARE FOR BREXIT

9.1 At the Autumn Budget 2017, the Chancellor of the Exchequer committed £3 billion over the next two financial years to help departments and the devolved administrations to prepare for Brexit. In March 2018, Elizabeth Truss (The Chief Secretary to the Treasury) announced that it had worked with colleagues across government to prioritise the essential programmes to realise the opportunities from EU exit and the Treasury has allocated funding to departments as follows in 2018-19⁷¹:

Department	£m
Home Office	395
Department for Environment, Food and Rural Affairs	310
HM Revenue & Customs	260
Department for Business, Energy and Industrial Strategy	185.1
Department for Transport	75.8
Department for International Trade	74
Cabinet Office	49.4
Foreign and Commonwealth Office	29.6
Department for Digital, Culture, Media and Sport	26.2
HM Treasury	24.8
Competition and Markets Authority	23.6
Department of Health and Social Care	21.1
Ministry of Justice	17.3
Food Standards Agency	14
Ministry of Defence	12.7
Office for National Statistics	2
The National Archives	1.2
Northern Ireland Office	0.4
Scotland Office	0.3
Wales Office	0.3

9.2 A total of £1.5bn funding was allocated to 20 different government departments. The Ministry of Housing, Communities & Local Government will not receive any funding, as it did not put in a bid to the Treasury.

9.3 In March 2018, the MHCLG told the Local Government Chronicle (LGC)⁷² it had not submitted a bid because it had reprioritised and made efficiencies within the ministry's existing budgets in order to fund preparations for Brexit. The ministry said it would continue to work with local government to plan for a number of EU exit scenarios, and work across government departments to understand the implications of Britain's withdrawal from the EU.

9.4 The departmental allocations mean half of a £3bn pot set aside by the chancellor in the autumn Budget has now been distributed. The next £1.5bn is due to be allocated next year.

⁷¹ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-03-13/HCWS540/>

⁷² <https://www.lgcplus.com/politics-and-policy/finance/ministry-fails-to-bid-for-brex-it-preparation-cash/7023663.article>

10. BREXIT 'NO DEAL'

Defining 'No Deal'

- 10.1 There are various possible permutations of 'no deal', both in terms of the extent of agreement, and in terms of timing. The 'UK in a Changing Europe'⁷³, in research published in July 2017, described six broad scenarios for the negotiations:
- a) Smooth Brexit (where the Article 50 and trade deal are agreed by March 2019);
 - b) Transitional Brexit (the Article 50 deal is agreed and both sides agree on transitional arrangements to bridge the gap to a full trade deal);
 - c) Cliff-edge Brexit (where the Article 50 deal is agreed but the trade discussions go nowhere);
 - d) Chaotic Brexit (where the talks fail and all issues remain unresolved);
 - e) Premature Brexit (where talks break down acrimoniously, and the UK unilaterally withdraws ahead of March 2019); and
 - f) Timed out Brexit (where the talks continue, but are not completed within the two-year Article 50 period, and there is no extension of the UK's EU membership).
- 10.2 The impact of 'no deal' could be more or less grave depending on which if any of these scenarios in fact materialises.
- 10.3 The House of Lords, European Committee report 'Brexit: deal or no deal', published December 2017, concludes that a complete 'no deal' outcome would be deeply damaging for the UK. With regards an abrupt departure from the EU single market and customs union, and the adoption of WTO conditions for trade, the impact would be felt across a range of sectors. It would have a particularly disruptive impact on cross-border supply chains.
- 10.4 The report also highlights that a 'no deal' would also have a damaging impact on the EU. It too would feel the negative effects of a loss of trade with a major trading partner, and restrictions on the movement of goods and services, new customs checks and the breakdown of aviation arrangements would be mirrored on the EU side.

No Deal Guidance

- 10.5 Although the Government is still hopeful of a withdrawal agreement with the EU, it has published a collection of documents of guidance for people and businesses across a variety of areas to try to avoid the "short-term disruption" which it admits is possible if the two sides cannot reach a deal: "How to prepare if the UK leaves the EU with no deal"⁷⁴. These have been released in two tranches and cover a range of areas including: Applying for EU-funded programmes; Driving and Transport; Importing and exporting; and Protecting the environment. Please see Appendix 1 for a list of these 'no deal' contingency assessments.
- 10.6 If no agreement can be made, it means there would be no 21-month transition period, which the Government has provisionally agreed with EU negotiators. If that were the case, consumers, businesses and public bodies would have to respond immediately to changes as result of leaving the EU. This could prove difficult. With regards to customs arrangements, while some businesses may already be trading with non-EU countries and be familiar with the processes involved, others – including small and medium-sized businesses – may struggle, particularly if lead-in times are short.
- 10.7 It has also been revealed that the Civil Contingencies Secretariat (CCS) is involved in no deal Brexit planning, with an operation named 'Operation Yellowhammer: no deal contingency planning'. The CCS sits within the Cabinet Office and is responsible for emergency planning in

⁷³ <http://ukandeu.ac.uk/wp-content/uploads/2017/07/Cost-of-No-Deal.pdf>

⁷⁴ <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal>

the UK. It has held a workshop to review departments' plans, assumptions, interdependencies and next steps.⁷⁵

- 10.8 The European Commission has already published [68 preparedness notices](#) of its own focusing on the preparations that different sectors of the economy need to make for Brexit. Please see Appendix 2 for a list of the preparedness notices.
- 10.9 The LGA published a 'No deal and local government' briefing in August 2018⁷⁶. This covers headline issues that would need to be addressed through national action in the event of a no-deal. This includes laws regulating local government services; regeneration and other funding sourced from the EU; workforce; the delivery of public services and benefits; ports, public health and local regulation; goods and services; local elections 2019; and local impact.

Trade across the Border between the UK and the EU Post-Brexit

- 10.10 With regards the Dover district, the most obvious impact felt in a 'no-deal' scenario would be exiting the single market for goods and agriculture and the consequent elimination of frictionless trade. Customs checks on cross-Channel freight would in all likelihood cause severe disruption on local roads.
- 10.11 The Council, as the Port Health Authority for the Port of Dover and the Channel Tunnel, will also be impacted if import checks and examinations need to be completed in full at the ports. There will be an impact on facilities, resources and capacity of authorised competent staff to provide the necessary checks.
- 10.12 The budgetary impacts on the Council's resources and capacity also need consideration and future-proofing for the Council.
- 10.13 If there is no deal and Britain reverts to "third country" status, the government has provided a long list of preparations that firms, which export and import to and from the EU will be required to undertake.
- 10.14 Customs declarations would be needed, tariffs (import and export taxes) "may also become due" and the government also says firms are likely to need to invest in new computer systems to track goods.
- 10.15 The government says: "If the UK left the EU on 29 March 2019 without a deal, there would be immediate changes to the procedures that apply to businesses trading with the EU. It would mean that the free circulation of goods between the UK and EU would cease."
- 10.16 Leaving the single market and the customs union without a deal means significantly higher barriers to trade with the EU. In addition, higher costs for firms that are engaged in that trade.
- 10.17 The Government's 'No Deal' guidance warns importers and exporters to "begin taking steps to mitigate against" a no-deal exit. However, one of the UK's largest customs brokers has warned in an interview with the BBC of a 500% rise in customs processing if there is no deal and said it will be "very difficult to cope" if there is no Brexit deal. It can take between two to five years to train to be a customs broker.⁷⁷

⁷⁵ <https://news.sky.com/story/operation-yellowhammer-no-deal-brexit-plans-revealed-11491671>

⁷⁶ <https://www.local.gov.uk/parliament/briefings-and-responses/no-deal-and-local-government-briefing-august-2018>

⁷⁷ A customs broker submits electronic declarations on behalf of import and export traders.

APPENDIX 1: UK GOVERNMENT'S NO DEAL GUIDANCE

The UK Government's guidance on how to prepare for Brexit if there is no deal (published August and September 2018)⁷⁸. A final batch of technical notices is expected to be published on 12th October 2018.

OVERVIEW

[UK government's preparations for a no deal scenario](#)

This document puts the government's technical notices in context, explaining the current progress in negotiations and the unlikely circumstances in which a no deal scenario might materialise. It also explains the government's overarching approach to preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

GUIDANCE

Applying for EU-funded programmes

[Connecting Europe Facility energy funding if there's no Brexit deal](#)

[Delivering humanitarian aid programmes if there is no Brexit deal](#)

[European Regional Development Funding if there's no Brexit deal](#)

[European Social Fund \(ESF\) grants if there's no Brexit deal](#)

[European Territorial Cooperation funding if there's no Brexit deal](#)

[Funding for UK LIFE projects if there's no Brexit deal](#)

[Horizon 2020 funding if there is no Brexit deal](#)

[The government's guarantee for EU-funded programmes if there is no Brexit deal](#)

Civil nuclear and nuclear research

[Nuclear research if there is no Brexit deal](#)

[Civil nuclear regulation if there is no Brexit deal](#)

Driving and transport

[Aviation safety if there's no Brexit deal](#)

[Aviation security if there's no Brexit deal](#)

[Driving in the EU if there's no Brexit deal](#)

[Flights to and from the UK if there's no Brexit deal](#)

[Operating bus or coach services abroad if there's no Brexit deal](#)

[Vehicle insurance if there's no Brexit deal](#)

Farming

[Farm payments if there is no Brexit deal](#)

[Manufacturing and marketing fertilisers if there's no Brexit deal](#)

[Receiving rural development funding if there's no Brexit deal](#)

Handling civil legal cases

[Handling civil legal cases that involve EU countries if there's no Brexit deal](#)

Importing and exporting

[Buying and selling timber if there's no Brexit deal](#)

[Classifying your goods in the UK Trade Tariff if there's no Brexit deal](#)

[Commercial road haulage in the EU if there's no Brexit deal](#)

[Exporting animals and animal products if there's no Brexit deal](#)

[Exporting controlled goods if there's no Brexit deal](#)

⁷⁸ <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#history>

[Importing and exporting plants if there's no Brexit deal](#)
[Importing animals and animal products if there's no Brexit deal](#)
[Trade remedies if there's no Brexit deal](#)
[Trading with the EU if there's no Brexit deal](#)

Labelling products and making them safe

[Appointing nominated persons to your business if there's no Brexit deal](#)
[Developing genetically modified organisms \(GMOs\) if there's no Brexit deal](#)
[Labelling tobacco products and e-cigarettes if there's no Brexit deal](#)
[Producing and labelling food if there's no Brexit deal](#)
[Producing and processing organic food if there's no Brexit deal](#)
[Protecting geographical food and drink names if there's no Brexit deal](#)
[Regulating chemicals \(REACH\) if there's no Brexit deal](#)
[Trading goods regulated under the 'New Approach' if there's no Brexit deal](#)
[Trading under the mutual recognition principle if there's no Brexit deal](#)
[Travelling with a European Firearms Pass if there's no Brexit deal](#)
[Vehicle type approval if there's no Brexit deal](#)

Meeting business regulations

[Accessing public sector contracts if there's no Brexit deal](#)
[Broadcasting and video on demand if there's no Brexit deal](#)
[Copyright if there's no Brexit deal](#)
[Exhaustion of intellectual property rights if there's no Brexit deal](#)
[Merger review and anti-competitive activity if there's no Brexit deal](#)
[Patents if there's no Brexit deal](#)
[Trade marks and designs if there's no Brexit deal](#)
[What telecoms businesses should do if there's no Brexit deal](#)

Money and tax

[VAT for businesses if there is no Brexit deal](#)
[Banking, insurance and other financial services if there is no Brexit deal](#)

Personal data and consumer rights

[Data protection if there's no Brexit deal](#)

Protecting the environment

[Industrial emissions standards \('best available techniques'\) if there's no Brexit deal](#)
[Reporting CO2 emissions for new cars and vans if there's no Brexit deal](#)
[Upholding environmental standards if there's no Brexit deal](#)
[Using and trading in fluorinated gases and ozone depleting substances if there's no Brexit deal](#)

Regulating energy

[Civil nuclear regulation if there's no Brexit deal](#)
[Generating low-carbon electricity if there's no Brexit deal](#)
[Nuclear research if there's no Brexit deal](#)
[Running an oil or gas business if there's no Brexit deal](#)

Regulating medicines and medical equipment

[Batch testing medicines if there's no Brexit deal](#)
[Ensuring blood and blood products are safe if there's no Brexit deal](#)
[How medicines, medical devices and clinical trials would be regulated if there's no Brexit deal](#)
[Quality and safety of organs, tissues and cells if there's no Brexit deal](#)
[Submitting regulatory information on medical products if there's no Brexit deal](#)
[Trading in drug precursors if there's no Brexit deal](#)

Regulating veterinary medicines

[Accessing animal medicine IT systems if there's no Brexit deal](#)

[Registration of veterinary medicines if there's no Brexit deal](#)

[Regulation of veterinary medicines if there's no Brexit deal](#)

Satellites and space

[Satellites and space programmes if there's no Brexit deal](#)

Seafaring

[Getting an exemption from maritime security notifications if there's no Brexit deal](#)

[Recognition of seafarer certificates of competency if there's no Brexit deal](#)

State aid

[State aid if there is no Brexit deal](#)

Studying in the UK or EU

[Erasmus+ in the UK if there is no Brexit deal](#)

Travelling between the UK and the EU

[Mobile roaming if there's no Brexit deal](#)

[Taking your pet abroad if there's no Brexit deal](#)

[Travelling in the Common Travel Area if there's no Brexit deal](#)

[Travelling to the EU with a UK passport if there's no Brexit deal](#)

Workplace rights

[Workplace rights if there is no Brexit deal](#)

APPENDIX 2: EUROPEAN COMMISSION'S PREPAREDNESS NOTICES

The European Commission has published 68 Brexit Preparedness Notices, which aim at preparing citizens and stakeholders for the withdrawal of the United Kingdom from the European Union and set out the consequences in a range of policy areas – please see below.⁷⁹

In addition, [EU decentralised agencies](#) have published information in relation to the UK's withdrawal from the EU, for example the [Community Plant Variety Office](#), the [European Chemicals Agency](#), the [European Medicines Agency](#) and the [European Union Intellectual Property Office](#). Furthermore, the three European Supervisory Authorities (the [European Banking Authority](#), the [European Securities and Markets Authority](#) and the [European Insurance and Occupational Pensions Authority](#)) and the [Single Supervisory Mechanism](#) have issued opinions and guidance.

POLICY AREAS:

Communications Networks, Content and Technology

[E commerce](#)
[Network security](#)
[Electronic communications](#)
[Audiovisual media services](#)
[E-signature](#)
[Geoblocking](#)
[EU domain names](#)
[Copyright](#)

Employment, Social Affairs and Inclusion

[Transnational workers council](#)

Energy

[Euratom](#)
[Energy market](#)
[Energy origin](#)

Environment

[EU Ecolabel](#)
[Waste law](#)
[Trade in protected species](#)
[Illegal logging and associated trade](#)
[Eco-Management and Audit Scheme \(EMAS\)](#)
[Ship recycling](#)

Financial Services and Capital Markets Union

[Statutory audit](#)
[Credit rating agencies](#)
[Asset management](#)
[Post-trade financial services](#)
[Financial instruments](#)

⁷⁹ https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notices_en

[Banking services](#)
[Insurance](#)
[Occupational retirement institutions](#)

Internal Market, Industry, Entrepreneurship and SMEs

[Type approvals \(automotive vehicles\)](#)
[Type approval \(vehicles and engines\)](#)
[Trademarks and designs](#)
[Industrial products](#)
[Public procurement](#)
[Supplementary protection certificates](#)
[Professional qualifications](#)
[Pyrotechnic articles](#)
[Explosives for civil uses](#)
[Fertilisers](#)
[Detergents](#)

HR

[Industrial security](#)

Justice and Consumers

[Data protection](#)
[Company law](#)
[Civil justice](#)

Maritime Affairs and Fisheries

[Fisheries and aquaculture](#)

Mobility and Transport

[Consumer protection and passenger rights](#)
[Seafarer qualifications](#)
[Air transport](#)
[Aviation safety](#)
[Road transport](#)
[Maritime transport](#)
[Inland waterways](#)
[Aviation and maritime security](#)
[Rail transport](#)

Health and Food Safety

[Medicinal products for human and veterinary use](#)
[Medicinal products for human and veterinary use – Questions and answers](#)
[Plant protection products](#)
[Biocidal products](#)
[EU food law](#)
[Animal feed](#)
[Genetically-modified organisms](#)
[Natural mineral waters](#)
[Plant reproductive material](#)

[Animal breeding/zootecnics](#)
[Movements of live animals](#)
[Plant health](#)
[Plant variety rights](#)
[Slaughterhouse operators](#)
[Animal transport](#)
[Substances of human origin](#)
[Clinical trials](#)
[Q&A Plant protection products](#)

Secretariat-General

[European Citizens' initiatives](#)

Trade / Taxation and Customs Union

[Customs and indirect taxation](#)
[Import and export licences](#)
[Intellectual property enforcement by customs](#)
[Preferential rules of origin](#)
[VAT](#)

APPENDIX 3: NATIONAL AUDIT OFFICE - BREXIT UPDATES

- 1.1. The National Audit Office (NAO) scrutinises public spending for Parliament. The NAO recognises that exiting the European Union will have significant implications across the UK public sector and has published a number of reports looking at implementing the UK's exit from the EU⁸⁰.
- 1.2. The head of the NAO has commented: *"It is not an easy task pushing forward with preparations for EU exit surrounded by what ifs... "There will be many areas that departments and authorities across Whitehall simply cannot be prepared for, so the government needs to seriously help departments scramble and prioritise their efforts around what matters most to us come 30 March 2019."*

A. Customs Declaration Service: A Progress Update

- 1.3. On the 28th June 2018, the NAO published an update on HMRC's progress with the Customs Declaration Service (CDS) since July 2017: [The Customs Declaration Service: a progress update](#). The report considered the deliverability of the CDS programme and highlights the risks and issues HMRC needs to manage to fully implement CDS by January 2019.
- 1.4. This progress update report does not cover aspects of the government's overall customs regime that are outside the CDS programme. In particular, the NAO have not included:
 - a) Border Force, which controls the movement of goods, people and transport at the border, and the work of other government departments and agencies; and
 - b) Wider changes to border systems, infrastructure and any requirements for new staff resources.
- 1.5. A wide range of changes are required for a fully functioning customs regime after the UK leaves the EU. Beyond HMRC's core customs IT systems, many systems and processes are required for an effective customs regime. Some of these are within HMRC's control and others require it to work with other government departments and industry. HMRC has established a separate programme, the Border Systems Programme, to manage the changes that may need to be made to other border systems as a result of the UK leaving the EU. The NAO expect to review the Border Systems Programme at a later stage (paragraphs 1.24 and 3.17 to 3.18, and Figure 6).
- 1.6. The NAO's CDS report in July 2017 highlighted that the Port of Dover could see delays after Brexit because of the need to make many more customs checks.
- 1.7. The NAO report found that HMRC has taken steps to mitigate risks in delivering the CDS programme that the NAO raised in July 2017. Significant challenges remain and there is a risk that CDS will be unable to fully replace the existing CHIEF (Customs Handling of Import and Export Freight) system by January 2019. However, HMRC has developed contingency plans, which mean it will be in a better position in the event that CDS is not ready or does not perform as planned, or if traders have not migrated to the new system in time.
- 1.8. NAO recognises that HMRC has accelerated work on its contingency plans for handling customs declarations in the event of 'no deal' in March 2019. If it successfully completes this work, HMRC should have the system capacity to handle customs declarations no matter what the outcome of negotiations between the UK and the EU. The success of wider customs preparations will, however, involve many other dependent systems and processes at the border.

⁸⁰ http://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report

- 1.9. HMRC will not know whether CDS works in live service until it has implemented all the functionality in December 2018.
- 1.10. HMRC's plan remains to migrate users from August 2018 and to finish this process by January 2019. However, HMRC is unlikely to complete the migration of users from the existing CHIEF system to CDS by January 2019. Export functionality will only be released in December, and traders who export goods will only have one month to complete the process.
- 1.11. HMRC's phased release strategy means traders involved in the first release will have to support a further two releases and associated changes to their own systems and processes before the end of the year, and will leave some users with less time to migrate. HMRC plans to continue to run CHIEF in parallel with CDS to mitigate the risk of migration not being completed on time. However, it may also lead to traders continuing to use CHIEF for longer than necessary, which could also delay the completion of migration.
- 1.12. HMRC has started to engage with 150,000 traders that import and export goods outside of the EU but there is a lot more to do to ensure traders are supported to smoothly migrate from CHIEF to CDS and effectively update their business processes. HMRC has prepared, but not yet started, a campaign to communicate with at least 145,000 EU-only traders who may need to make customs declarations after March 2019.

B. Implementing The UK's Exit From The Eu: Department For Transport

- 1.13. On 19th July 2018, the National Audit Office published a report [Implementing the UK's Exit from the European Union: Department for Transport](https://www.nao.org.uk/wp-content/uploads/2018/07/Implementing-the-UKs-Exit-from-the-European-Union.pdf)⁸¹, assessing how the Department for Transport (DfT) is implementing its plans to support a successful exit from the EU across its 18 EU related work streams, spanning aviation, roads, maritime, vehicles, and rail.
- 1.14. It found that the DfT is making a determined effort to ensure the UK transport system is fully prepared for EU Exit, however the challenge ahead is complex and there is a considerable amount to achieve to ensure the best outcome for UK passengers and road users beyond March 2019.
- 1.15. The NAO recognises that these are not normal times for the DfT or for the government as a whole and acknowledges that the DfT has already achieved a great deal in its preparations for EU Exit.
- 1.16. The DfT needs to have primary and secondary legislation passed by March 2019. In February 2018, the DfT introduced a primary legislation bill to provide powers intended to address a range of scenarios, including contingency planning and cover drivers' rights such as enabling a permit scheme and a trailer registration scheme. This was an important milestone for the DfT but it still has to process a large volume of secondary legislation, for which the time available is being compressed.
- 1.17. The DfT faces continued uncertainty around the outcome of the government's negotiations. The government has advised all departments to continue planning in case negotiations are not agreed and to have fully planned contingencies in place by March 2019. However, in the case of the DfT, the NAO's report has found that these plans are not complete and there is an increasing risk that projects will not be delivered on time.

⁸¹ <https://www.nao.org.uk/wp-content/uploads/2018/07/Implementing-the-UKs-Exit-from-the-European-Union.pdf>

- 1.18. The NAO has recommended that the Department prioritises its plans and rapidly strengthens its capacity to oversee the full range of its activities, including determining whether it has the right people and resources to deliver everything it needs to by March 2019.⁸²
- 1.19. Concerning borders, the NAO report said that adjustments to transport infrastructure might be needed depending on the outcome of decisions and negotiations on future border regimes. The DfT is working to model the impact of decisions made by other departments, such as requiring more space to carry out customs checks and to support industry to make these adjustments.

C. Exiting the EU: Consumer Protection, Competition And State Aid

- 1.20. On 6th July 2018, the National Audit Office published a report entitled [‘Exiting the EU: Consumer Protection, competition and state aid’](#)⁸³. This found that preparing the UK’s legal and regulatory frameworks for consumer protection, competition and state aid for EU exit is a significant challenge, heightened by uncertainty around the future UK-EU relationship and pressure in the Parliamentary timetable.
- 1.21. Risks of exiting the EU in these areas relate to cross-border issues, such as market surveillance and data sharing; cross-border enforcement; and consumer redress for cross-border transactions.
- 1.22. The NAO report found that the Department for Business, Energy and Industrial Strategy (BEIS) has prioritised its legislative programme based on what will be critical for ensuring UK businesses and consumers can continue to trade effectively following the EU Exit. However, it will be challenging to ensure the passage of relevant secondary legislation in time for 30 March 2019 in the event of a no-deal scenario.
- 1.23. To support its market surveillance capability, the UK currently relies on an EU-wide rapid alert system to identify unsafe products. BEIS sought a ministerial direction in March 2018 to spend £2.4 million on a replacement system. This was behind schedule but following the direction, BEIS reports being on track to deliver a minimum capability by March 2019 in a no-deal scenario (paragraphs 2.19 to 2.21).
- 1.24. National Trading Standards has identified product safety checks on imported goods as an issue that may be affected by EU Exit if provision is not made for the free movement of goods in a future UK–EU economic relationship. The borders in Kent are potentially some of the most affected by EU Exit because the vast majority of goods imported through there are from the EU and not currently subject to product safety checks. Kent Trading Standards has estimated the impact on its workforce of different scenarios, including no deal, and has escalated this to their funding providers. There is no requirement in law that product safety checks must be carried out at the border and, to date, no changes have been made to the infrastructure at Dover to expand capacity for product safety checks (paragraph 2.24).
- 1.25. Trading Standards services and the Competition and Markets Authority are planning to work bilaterally with EU member states on enforcement, as they currently do with non-EU countries, in the absence of an overall agreement with the EU. Appropriate protocols already exist, but outside EU structures, the authorities expect cross-border enforcement to take longer and be more expensive, and the UK authorities cannot mandate another country to cooperate (paragraphs 2.22 to 2.23).

⁸² <https://www.nao.org.uk/wp-content/uploads/2018/07/Implementing-the-UKs-Exit-from-the-European-Union-Department-for-Transport-Press-notice.pdf>

⁸³ <https://www.nao.org.uk/report/exiting-the-eu-consumer-protection-competition-and-state-aid/>

APPENDIX 4: HOUSE OF LORDS EUROPEAN UNION COMMITTEE

- 1.1. In September 2018, the House of Lords European Union Committee has published a report '*Brexit: the customs challenge*'⁸⁴. This includes chapters covering if the UK fails to secure a deal with the EU and mitigations open to the UK Government in the event of a 'no deal'.
- 1.2. It looked at the Government's proposal for a Facilitated Customs Arrangement (FCA) with the EU, which aims to preserve the *status quo* for UK-EU trade, while enabling the UK to pursue an independent trade policy. Alongside a free trade area for goods and a 'common rulebook', there would be no tariffs and no routine customs controls. It says that HM Revenue and Customs estimates the FCA to cost UK importers £700 million a year. Under 'no deal', the estimated annual cost to UK traders would be £18 billion.
- 1.3. The report found that in the case of 'no deal', trading with the EU under World Trade Organisation (WTO) rules would be disruptive and costly to businesses. Tariffs would apply, and although tariffs are generally low, some sectors, such as the agricultural and automotive sectors, would be disproportionately affected. Businesses on both sides would have to meet additional administrative customs requirements, such as import and export customs declarations. An estimated 145,000 VAT-registered UK businesses, and potentially a further 100,000 under the VAT threshold, currently trade exclusively with the EU. They would either have to gain expertise in customs procedures or outsource part of the customs process to a customs broker or freight forwarder at a cost.
- 1.4. Roll-on/roll-off ports process the majority of trade in goods between the UK and the EU. The introduction of new customs checks at the border under 'no deal' would cause delays at these ports, thus disrupting highly integrated supply chains. The Port of Dover's ability to handle its trade volume, for example, depends on vehicles flowing through the port without stopping for customs controls. In the case of 'no deal', customs paperwork would need to be checked and some goods would be subject to additional time-consuming regulatory checks. This would particularly affect manufacturing businesses that rely on components being able to cross and re-cross borders swiftly, and just-in-time supply chains, upon which food manufacturers and retailers depend for freshness and convenience. As a consequence, the attractiveness of trading with UK businesses could decrease.
- 1.5. The report finds that options to mitigate the disruption caused by a 'no deal' Brexit are limited in the short-term. Technology does not yet provide a means for eliminating border checks, and WTO anti-discrimination rules mean that the UK could only decide to waive customs checks on goods arriving from the EU as part of a wider framework open to all countries. The EU would also need to reciprocate for these measures to be effective, and it has indicated that it would not waive checks on UK goods. The report did, however, welcome the Government's intention to join the Common Transit Convention and the preparations made by HMRC to deal with additional customs declarations.

⁸⁴ <https://publications.parliament.uk/pa/ld201719/ldselect/ldEUcom/187/18702.htm>

APPENDIX 5: LOCAL GOVERNMENT ASSOCIATION

- 1.1. The Local Government Association (LGA) is the voice of local government during the negotiations regarding the UK's exit from the European Union.
- 1.2. 'Britain's exit from the EU' is one of the seven priorities set out in the LGA's 2017/18 Business Plan, and aims to ensure that councils can mitigate the risks and capture the opportunities of Brexit. The LGA's Leadership Board oversees this work and board members include Cllr Paul Carter, Kent County Council.
- 1.3. The LGA, in partnership with the local government associations in Wales, Scotland and Northern Ireland, has a close relationship and ongoing engagement with the Department for Exiting the EU (DEXEU).
- 1.4. The LGA has stated that, although it is fulfilling its role in providing a local voice to Government, "the scale and dilemmas of the Government's projects means that whilst our issues are on record, we have no guarantee that all our issues will be addressed."⁸⁵
- 1.5. The LGA has been creating a database of evidence that captures the risks and opportunities for local communities arising from Brexit. These differ between local communities across the UK.

Brexit Task and Finish Group

- 1.6. The Chair of the LGA Brexit Task and Finish Group is Cllr Kevin Bentley (Conservative, Essex County Council). This group has been leading the LGA's work on Brexit.

Brexit Ministerial Local Government Delivery Board

- 1.7. The Delivery Board held its inaugural meeting on 19 July 2018. The meeting, which was chaired by the Secretary of State for Communities, provided an opportunity for Government Ministers and local government sector representatives from the LGA, County Councils Network, District Councils Network and the Core and Key Cities Groups to share updates and views on latest developments.
- 1.8. The meeting heard from senior Home Office officials on the development of the EU Citizens Settlement Scheme, discussed the recently published Government White Paper and agreed to prepare a future work programme for the Board to provide oversight of EU Exit preparedness, including the future for EU funding and the opportunities to review EU law post EU Exit.
- 1.9. Council leaders placed on record their concerns relating to the timely replacement for EU funding, the potential to review EU laws post EU-Exit and stressed the need for joined-up engagement across Whitehall to ensure that the issues and opportunities facing communities up and down the country are properly captured and considered by Government.
- 1.10. Over the summer, the Local Government Association and officials from MHCLG will work to develop a detailed work programme for the Board and prioritise those issues for discussion at the next meeting of the Board in early autumn.

⁸⁵ LGA Leadership Board 6 June 2018

LGA Regional Sounding Board

- 1.11. The LGA is working with local authorities to highlight the potential impacts of Brexit on local communities to central government and the wider public sector. Part of this stream of work includes facilitating Regional Brexit Sounding Boards in conjunction with local councils, the MHCLG and Local Government and other relevant stakeholders. Sounding Boards are shaped around the local perspective of the host authority and provide an opportunity to raise and discuss key risks and opportunities for the local area.
- 1.12. The Council is in negotiation with the Local Government Association and Kent County Council with regards facilitating a Regional Brexit Sounding Board - to highlight the potential impacts of Brexit on local communities to central government and the wider public sector, in conjunction with local councils, the Ministry of Housing, Communities and Local Government and other relevant stakeholders.

Cross-Whitehall Local Government Working Group

- 1.13. Following continued lobbying, the LGA is a standing member of the Cross-Whitehall Local Government Working Group, which will convene policy officials from across Government to ensure that their work is joined up and that local impacts of Brexit are taken into account.
- 1.14. The LGA is also working with colleagues on an HMRC LA border planning steering group looking at the specific impacts for councils with ports of entry.

Post-Brexit England Commission

- 1.15. The LGA has set up the Post-Brexit England Commission⁸⁶ with the aim of presenting solutions to issues raised by Brexit for Local Government. It will principally investigate issues surrounding skills and productivity challenges, and infrastructure pressures. The findings will be published in spring 2019. A South East Roadshow is being held in December and the Council is sending representatives.

Beyond Brexit

- 1.16. In July 2018, the LGA launched their Brexit conference paper 'Brexit: Moving the conversation on'. This paper is the start of its campaign ahead of the Spending Review.
- 1.17. At the same time, the LGA published a series of papers, commissioned by LGA boards, which start the new thinking around building the case for long term, sustained investment in local government as well as laying out the positive outcomes this would deliver for the country.⁸⁷
- 1.18. This includes an interim report from the People and Places Board's Post-Brexit England Commission: The future of non-metropolitan England⁸⁸. The report outlines seven key areas in which local government must be given the powers to address local challenges in order to support the future success of the towns, villages, rural, deeply rural and coastal communities of nonmetropolitan England.
- 1.19. The LGA's Key Cities Group is planning a Beyond Brexit conference in autumn 2018 – details to be announced. Again, the Council will send a representative.

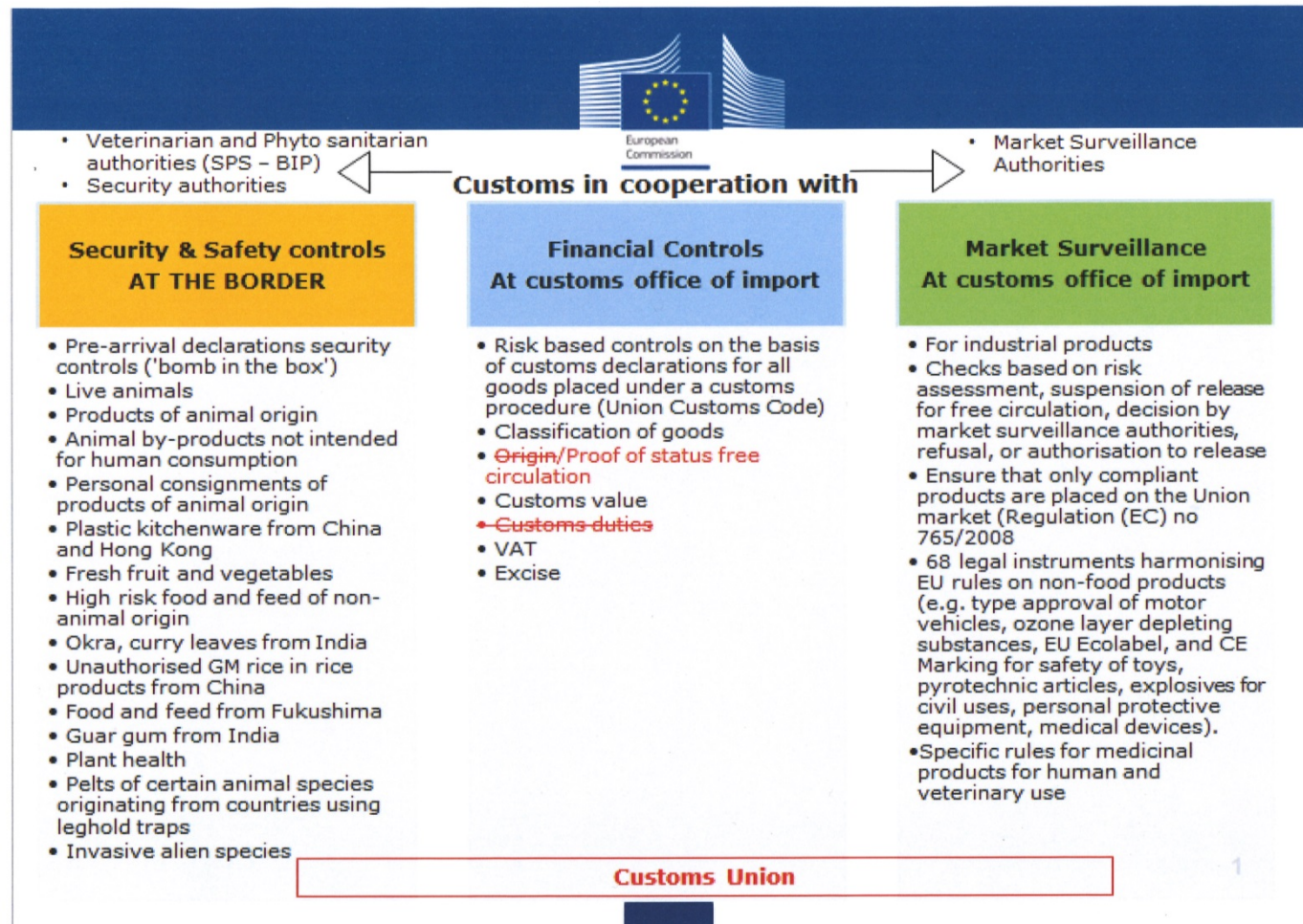
⁸⁶ Local Government Association (n.d). Post-Brexit England Commission. Online at: <https://www.local.gov.uk/devoforall>

⁸⁷ <https://www.local.gov.uk/moving-the-conversation-on/brexit>

⁸⁸ <https://www.local.gov.uk/moving-the-conversation-on/non-met-england>

APPENDIX 6: CUSTOMS CONTROLS

This slide highlights the checks and controls that need to be carried out on goods entering, transiting or leaving the customs territory of the European Union.



Source: European Commission: https://ec.europa.eu/commission/sites/beta-political/files/customs_controls_0.pdf

APPENDIX 7: CENTRE FOR EUROPEAN STUDIES, CANTERBURY CHRIST CHURCH UNIVERSITY

- 1.1. The Centre for European Studies at Christ Church University in Canterbury (CEFEUS) has produced a series of reports looking at the potential impact of Brexit in Kent and Medway⁸⁹.
- 1.2. The CEFEUS report “Kent and Medway: Making a Success of Brexit - a Sectoral Appraisal”, looks at the county’s particular needs across a range of sectors, including business and commerce, agriculture, healthcare, local government, policing and security. This report is reference in our previous impact report.
- 1.3. The latest CEFEUS report, Kent and Medway: Health and Social Care – A Brexit Impact Assessment⁹⁰, published in March 2018, is focused for the most part on the ‘Kent imperatives’ arising in the short and medium term (2019-2021) in the health and social care sector. The report states: “the data and insights gathered suggests that the historically overstretched condition of public health and social care prevalent in most areas of Britain is likely to be impacted negatively as a result of the envisaged repercussions of detaching from the EU, whether directly and in the short-term (e.g. workforce) or more indirectly and in the medium to long-term (e.g. reciprocal healthcare and funding).”
- 1.4. Transport and infrastructure is one of the themes looked at in the report. A key issue is the “overlap of port and health issues, raised on a number of occasions in our various interviews and deemed as “vital but as key still unrecognised at the highest levels of government decision-making” (CEFEUS interviews, 2018).
- 1.5. The report makes an assumption that “the prospective divergence from EU regulatory structure in terms of the UK’s removal from either the Single Market or the Customs Union will inevitably lead to an increase in processing times at the border, and in particular ports. In the short-term, without due preparation, these delays could be chronic, and in some cases, produce acute problems in the health care sector.” Examples given include medical radioisotopes, which have a short half-life, and the quick turn-around needed for accident and emergency trauma packs, which are flown in from the EU to the UK within hours of an order being placed.
- 1.6. CEFEUS has undertaken research over the summer relating to Development Policy, Foreign Policy, the EU Security Union and the proposed Brexit report on Policing, Security, Freight and Customs. CEFEUS presented this work to the Home Office on 22nd August 2018 (not yet published on website).

⁸⁹ Centre for European Studies, Canterbury Christ Church University, Brexit Hub. Online at: <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/Brexit-Hub/Brexit-Hub.aspx>

⁹⁰ <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/CEFEUS-Health-and-Social-Care-report-Mar-2018.pdf>

APPENDIX 8: INDUSTRIAL COMMUNITIES ALLIANCE

'No-deal Brexit' - letter to the Prime Minister from the Industrial Communities Alliance⁹¹, which Dover District Council is a member of.



Industrial Communities Alliance

The all-party association campaigning on behalf of local authorities in the industrial areas of England, Scotland and Wales

National Secretariat, 1 Regent Street, Barnsley S70 2EG

Tel: 01226 200768 www.industrialcommunitiesalliance.org.uk Email: natsec@ccc-alliance.org.uk

Rt Hon Theresa May MP
Prime Minister
10 Downing Street
London SW1A 2AA

3 October 2018

Dear Prime Minister,

Consequences of a 'no-deal Brexit'

I am writing to convey concern about the consequences for many parts of the country of a 'no-deal Brexit'.

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales. Some 60 authorities are members. At our recent national meeting we took stock of the implications for our areas of a possible failure to reach agreement on the terms on which the UK leaves the EU.

Whereas there is obviously a range of views on Brexit itself, there appears to be unanimity amongst our local authority representatives that a no-deal Brexit would be deeply damaging to the economy of our areas.

Most of our areas remain heavily dependent on manufacturing. Despite years of job loss, the share of jobs in manufacturing in our areas is still well ahead of the UK average and far higher than in London for instance. There is a real fear therefore that the introduction of tariffs and border checks in trade with the EU will have a disproportionately large and damaging impact on businesses in our areas.

In much of the manufacturing sector, components as well as finished goods presently move freely back and forth across the border with the rest of the EU. Just-in-time delivery systems have often become the norm, for example. The reliance of the motor industry on cross-border movements has been well publicised but similar arrangements apply to a wide range of other manufacturing industries.

⁹¹ <http://www.industrialcommunitiesalliance.org/>

The 'no-deal Brexit' default of WTO tariffs and associated paperwork and border checks is a threat not only to the day-to-day operation of industry in our areas but also to the attractiveness of our cities, towns and communities for new investment. Many of the places we represent are those you have previously described as "left behind"; our fear is that in the event of a no-deal Brexit they would fall further behind.

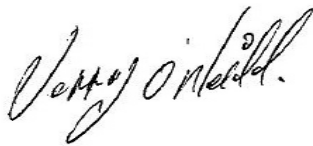
We recognise of course that at this stage the government does not expect a no-deal Brexit, though it remains a possibility of course. We also recognise that a no-deal Brexit is not something that the government would welcome. We recognise too that a satisfactory deal also requires flexibility on the part of the EU.

My concern in writing at this stage, however, is to impress on you that in the view of local authorities in our industrial areas, a no-deal Brexit would be a major disaster and one likely to seriously damage our economies.

As requested by my colleagues, I am copying this letter to the Secretaries of State for Business, International Trade, Exiting the EU and Scotland and Wales. I have also been asked to release this letter to the press.

I trust you will seek to address our concerns.

Yours sincerely,



Cllr Terry O'Neill
National Chair, Industrial Communities Alliance
Leader, Warrington BC

APPENDIX 9: GLOSSARY

The BBC has published a jargon-busting guide to key Brexit terms⁹²:

1. **Article 50:** The European Union's exit clause. It is part of the Lisbon Treaty and by invoking it or triggering it a country formally and legally signals it is leaving the European Union.
2. **Backstop plan:** Effectively an insurance policy to avoid a hard border in Northern Ireland, if appropriate customs arrangements cannot be agreed by the EU and UK in time for the end of the transition period in December 2020. The EU believes the backstop should mean Northern Ireland effectively staying in the single market for goods and the customs union until the UK comes up with solution to the border issue. The Prime Minister wants a backstop that would see the whole of the UK staying in the customs union for a limited period of time after the transition period, something the EU has said is unacceptable.
3. **Blind Brexit:** Situation where the UK leaves the EU and enters a transition period before agreement is reached about the long-term future relationship.
4. **Brexit:** Short for Britain exiting the European Union.
5. **Brexit day:** 29 March 2019: the day when the UK is due to leave the European Union.
6. **Brexiters / Brexiteers:** Short for those who are in favour of Brexit. See also Brexiters.
7. **Brexodus:** A combination of the words "Brexit" and "exodus" to mean the departure of people or companies from the UK because of Brexit. Whether this has happened, or will happen, is contested.
8. **Brino:** Brexit in name only.
9. **Canada model:** Refers to a free-trade agreement between the EU and Canada which removes lots of barriers to trade between the two, but not as many as the Norway model - which involves signing up to more EU rules, contributing to the EU budget and allowing the free movement of people.
10. **Chequers plan:** A plan for Brexit which was agreed by the Cabinet at the Prime Minister's country residence, Chequers, on 6 July 2018. It includes: a "common rulebook" for all goods traded with the EU and a "facilitated customs arrangement" which aims to maintain frictionless trade in goods between the UK and the EU whilst allowing Britain to develop an independent trade policy with the rest of the world. The plan would end free movement of people.
11. **Cliff edge:** The prospect of the UK crashing out of the European Union with no deal at all. That would mean having no agreement on the terms of Britain's withdrawal or future trade relations, and could lead to serious disruption to businesses and individuals in Britain and across the EU.
12. **Common Agricultural Policy:** The EU policy designed to provide financial support to farmers through a system of payments. It was created to make sure that farmers in the EU produced enough food and also had a fair standard of living. Critics say it is wasteful and favours rich landowners and big agri-businesses.
13. **Council of Ministers:** A European Union body that represents member states' national governments. It is made up of government ministers from all member states who meet

⁹² Source: Brexit: Jargon-busting guide to the key terms - <https://www.bbc.co.uk/news/uk-43470987>

regularly. Together with the European Parliament, the council has the power to make EU laws and decide the budget.

14. **Customs partnership:** This proposal, also known as the hybrid model, would enable trade in goods between the UK and Europe without the need for customs checks. Proponents say it would help solve the Irish border question too, as the UK would collect the EU's tariffs on goods coming from other countries on the EU's behalf. If those goods stayed in the UK and UK tariffs were lower, companies could then claim back the difference.
15. **Customs union:** A trade agreement under which two or more countries decide not to have taxes on imports (tariffs) of goods from countries in the union. Countries also decide to set a common tariff on goods entering from outside the union. The EU customs union includes EU member states and some small non-EU members and forbids members from negotiating trade agreements separately from the EU.
16. **DExEU:** The Department for Exiting the European Union: the name of the new UK government department responsible for managing the UK's departure from the EU.
17. **Divergence:** Allowing rules and regulations to differ between the European Union and the UK after Brexit.
18. **Divorce bill:** The money the UK has in principle agreed to pay the European Union as part of the deal on Britain's departure. It includes the UK's share of the EU's unpaid bills, contributions to the EU budget for 2019 and 2020, pensions for EU officials and a long list of smaller items. The independent Office for Budget Responsibility has estimated the cost of the financial settlement at £37 billion.
19. **EU: European Union:** the political and economic union of 28 member states, which the UK is planning to leave.
20. **EU referendum:** A national vote held on 23 June 2016 to decide whether the UK should leave or remain in the European Union. It was decided on a simple majority and the Leave campaign won by 52% to 48%.
21. **EU Withdrawal Bill:** Legislation passing through the UK Parliament that will repeal the European Communities Act, which took Britain into what was then the European Economic Community. It will also convert almost all EU law into UK law. Parliament will then be able to decide which EU laws it wants to keep and which it wants to get rid of. This bill is also sometimes known as the repeal bill.
22. **European Commission:** The European Union's civil service. The European Commission has a key role in initiating EU legislation.
23. **European Council:** A body of the European Union that makes its most important strategic decisions. Its members are heads of state or government of the 28 EU countries, the European Council president and the president of the European Commission.
24. **European Court of Justice (ECJ):** The ECJ is the EU's highest legal authority and rules on disputes over European Union treaties and other EU laws. Its decisions are binding on EU institutions and member states.
25. **European Economic Area (EEA):** An area covering the 28 European Union countries plus Norway, Iceland and Liechtenstein, which enables those three countries to be part of the EU's single market. They abide by the rules of the EU single market and its freedom of movement of people, goods, services and money.

26. **European Free Trade Association (EFTA):** An organisation made up of four countries: Iceland, Liechtenstein, Norway and Switzerland. They are allowed to trade freely with the single market in return for accepting its rules. They're not in the EU customs union and can negotiate trade deals with third-party countries such as China.
27. **European Parliament:** The directly elected parliamentary institution of the European Union. It has 751 members and is elected by citizens in all 28 European Union member states.
28. **Eurosceptic:** An opponent of European Union integration, believing that it threatens the power of individual countries to determine their own destiny. Eurosceptics range from those who want far-reaching reform of the EU to those who reject the EU totally.
29. **Facilitated customs arrangement:** A plan for a post Brexit customs agreement in which goods destined for the EU would be charged an EU tariff and goods headed to the UK would be charged the UK's own potentially lower tariff. The plan would keep the UK aligned to EU regulations and is designed to resolve the Irish border question while allowing Britain to pursue partially independent trade policy.
30. **Four freedoms:** The free movement of goods, capital, services and people in the EU's single market.
31. **Free-trade agreement:** An agreement between countries to reduce trade barriers, including import or export taxes (tariffs) and import quotas, in order to increase trade in goods and services.
32. **Freedom of movement:** One of the founding principles of the European Union. It means that citizens of EU member states and their families can live and work in any other member state. It is a major factor in public debate about Britain's capacity to control immigration.
33. **Frictionless trade:** Trying to do business between the UK and the European Union with the minimum of tariffs, quotas, customs checks and other obstructions.
34. **Globalisation:** The process by which the world is becoming increasingly interconnected as a result of hugely increased trade, travel and other forms of interaction.
35. **Hard border:** A border controlled and protected by customs officials, police, or military personnel.
36. **Hard Brexit:** This phrase is often used by critics of Brexit who think it will harm the UK economy. A hard Brexit would be one where few of the existing ties between the UK and the EU were retained leading to more disruption than a Soft Brexit.
37. **Henry VIII powers:** Legal provisions for ministers to decide on changes to existing UK law without the normal process of scrutiny in Parliament. The term is named after King Henry VIII's preference for creating laws by royal proclamation rather than through Parliament.
38. **Irish border:** The border between Northern Ireland and the Republic of Ireland. After Brexit, it will become the only land border between the UK and the European Union.
39. **Mandate:** The authority to carry out policy. In relation to Brexit it often refers to the referendum result giving a mandate to the government to take Britain out of the European Union.
40. **Max-fac:** 'Maximum facilitation' - an option favoured by Brexiteers who want a complete break with the EU customs regime and would rely instead on technology to minimise border checks.

Declaration and clearance procedures would take place in advance, away from the border, and surveillance would be intelligence-led, rather than old-fashioned random searches. Critics say it would not solve the Irish border question as there would still need to be tariff checks.

41. **Meaningful vote:** The government says Parliament will be given a 'meaningful vote' to accept the withdrawal deal or leave the EU without one. Its critics argue that for the vote to be meaningful other options, including renegotiation should remain open; and that it should be up to Parliament, rather than the government to decide what happens if the withdrawal deal is rejected in a parliamentary vote.
42. **MEP:** Member of the European Parliament.
43. **No deal:** Britain leaving the European Union with no formal agreement on the terms of the UK's withdrawal or new trade relations.
44. **Norway model:** An arrangement in which the UK would have to allow freedom of movement of people, make a contribution to the EU budget - smaller than it currently makes - and abide by many of the EU's rules, in exchange for remaining in the single market.
45. **Passporting:** The arrangement under which British companies and foreign companies with bases in the UK are allowed to sell financial services across the European Union with no regulatory barriers.
46. **Remoaners:** A derogatory term meaning a person who complains about Britain leaving European Union and/or the outcome of the Brexit referendum.
47. **Reste à liquider:** A French accounting term meaning outstanding bills. In the context of Brexit it refers to projects the EU has agreed to support financially, but has yet to pay for.
48. **Schengen area:** The 26 European states that have abolished passport controls at their mutual borders. Some European Union member states, including the UK, are not in the Schengen area. Some countries that are not members of the European Union are in the Schengen area.
49. **Settled status:** A legal status that will give European Union citizens and their families the right to stay in the UK and access benefits and public services after Brexit.
50. **Single market:** The way the European Union is treated as one territory with a free market in goods, money, services and people. The single market embraces 500 million consumers and includes EU member states and four other countries that have secured access but retain some optouts.
51. **Soft Brexit:** Leaving the European Union but staying as closely aligned to the EU as possible. It could keep the UK in the single market or the customs union or both. It could involve British compromises on free movement of people, allowing European Union citizens rights to settle in the UK with access to public services and benefits.
52. **Tariff:** A tax or duty to be paid on goods being imported or, very occasionally, exported.
53. **Tariff-free trade:** Trade without any taxes or duties to pay when goods are imported or exported.
54. **Transition:** The period between the UK leaving the European Union and the start of new arrangements for future trade. The UK calls it an "implementation phase".

55. **Treaty:** A formally concluded and ratified agreement between states, either individually or collectively.
56. **TTIP: Transatlantic Trade and Investment Partnership:** a proposed trade agreement between the European Union and the United States. The deal was put on hold by the US shortly after the election of Donald Trump as US President.
57. **World Trade Organisation (WTO):** A global organisation dealing with the rules of trade between states. If the UK were to leave the European Union with no new trading relationship agreed, UK trade with European Union member states would have to abide by WTO rules, significantly increasing the costs to business.