



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

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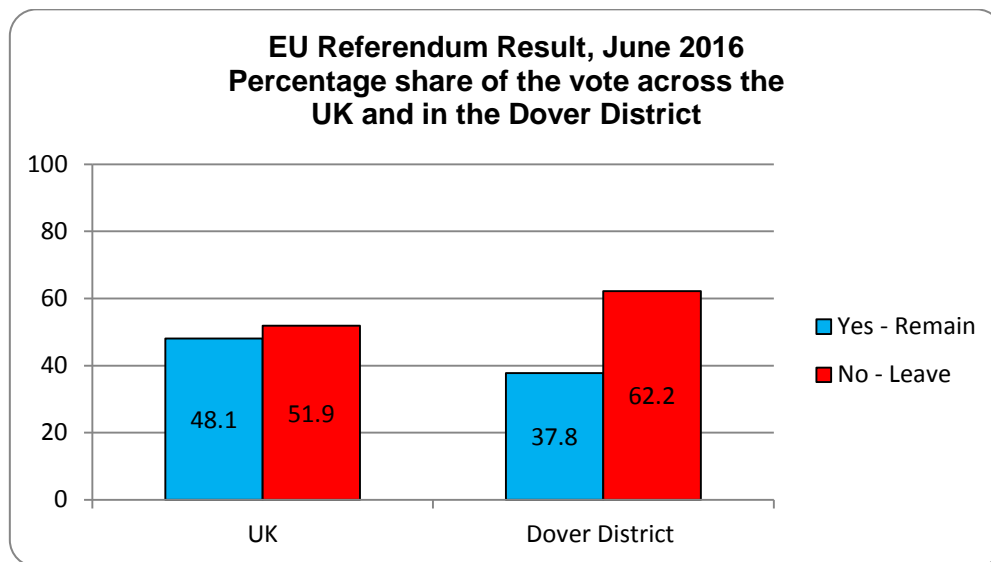
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This paper looks at the possible impact of a British withdrawal from the European Union (EU) – or Brexit - to services that we deliver and the wider Dover district. There are still many uncertainties but Brexit will have a significant impact on local 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/cmcmuems/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>

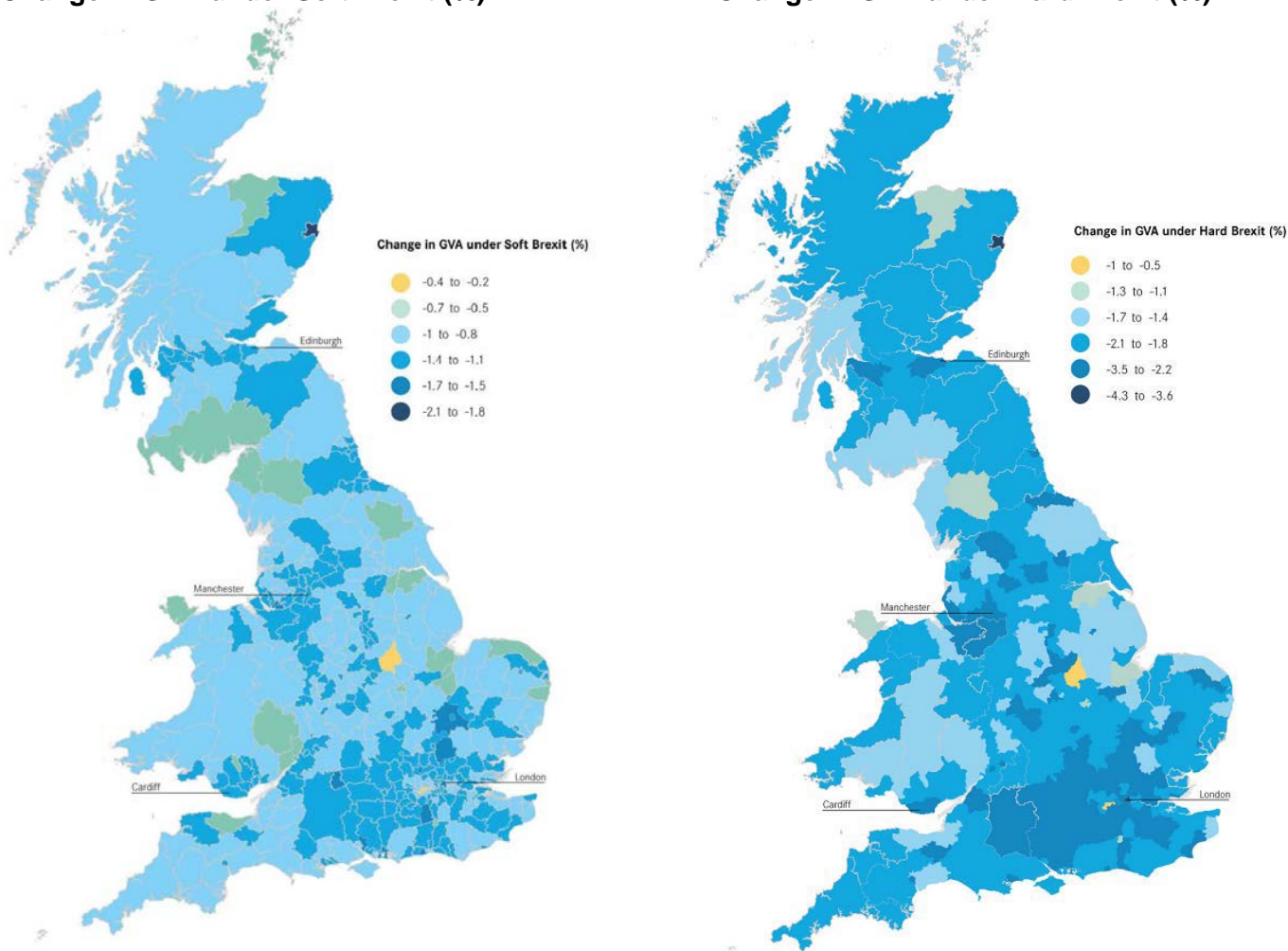
⁴⁹ Hadfield, A, Martill B, Nazarenko, L (n.d.). Canterbury Christchurch University, Centre for European Studies, Kent and 'Brexit' Realities and Risks in Regional Perspective. Online at <https://www.canterbury.ac.uk/social-and-applied-sciences/psychology-politics-and-sociology/cefeus/docs/cefeus-kent-and-brexit-report.pdf>

- 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

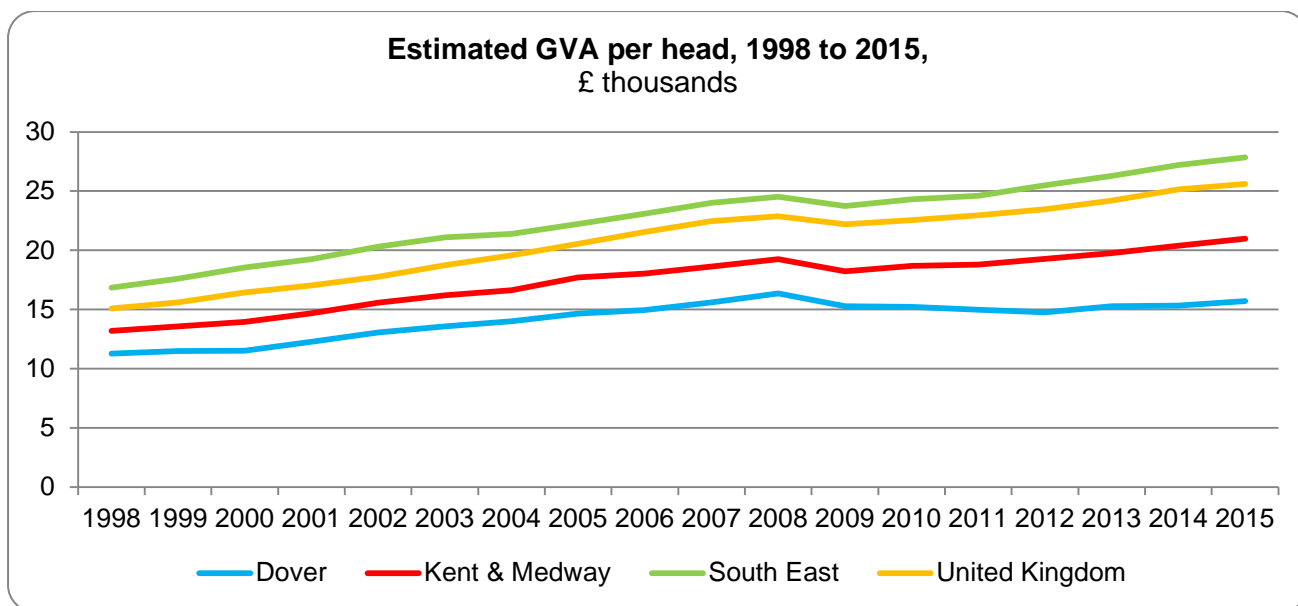
⁵⁰ S. Dhingra, S Machin, H. Overman, The Local Economic Effects of Brexit: Centre for Economic Performance, The London School of Economics and Political Science (July 2017). Online at: <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

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>



Source: Office for National Statistics, March 2017

Economic Growth: Sector Specific Impacts

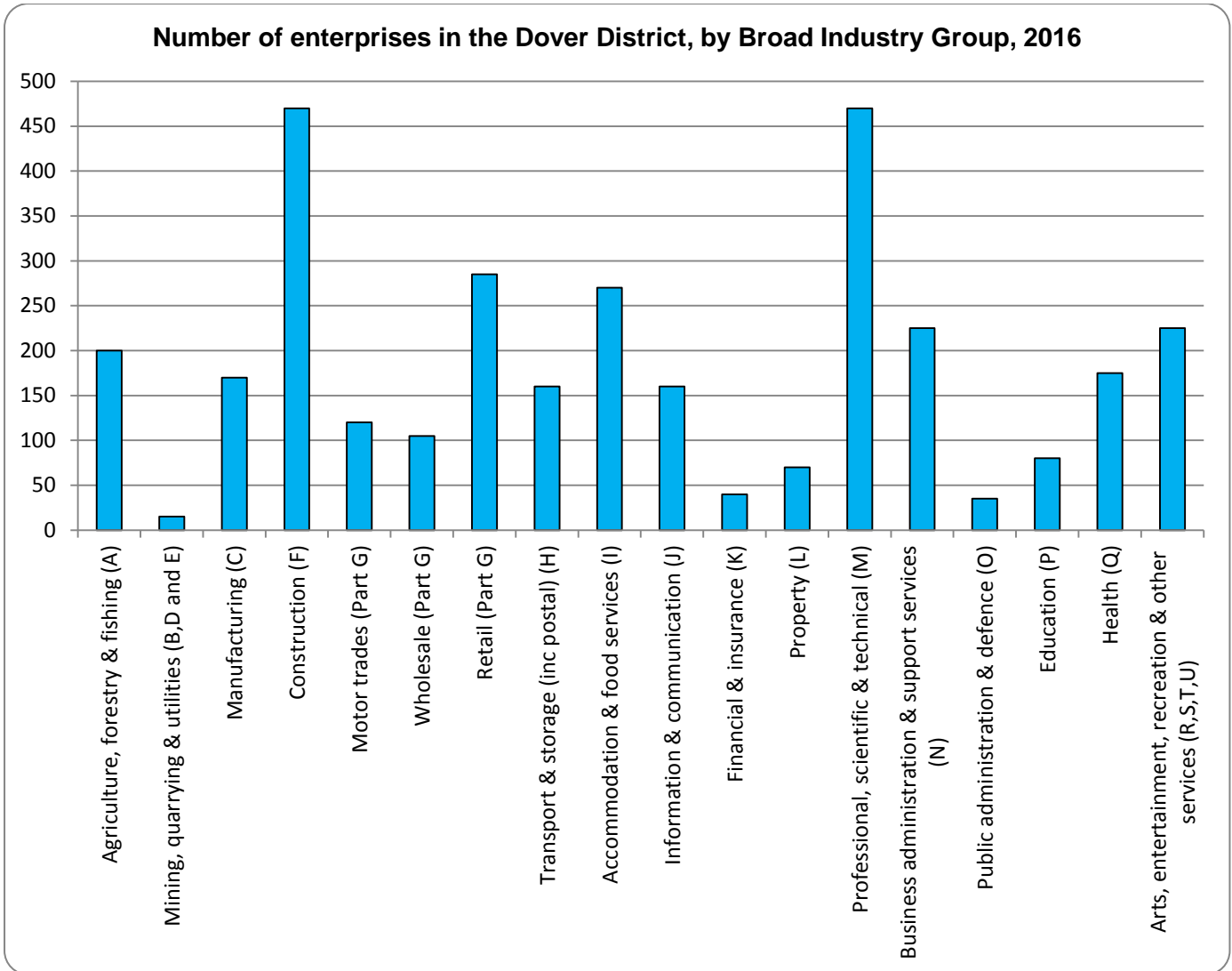
- 4.12 The LSE research into the local impacts of the increases in trade barriers associated with Brexit⁵² also analyses sector specific impacts. Under both hard and soft Brexit the estimated shocks to imports, exports and Gross Value Added (GVA) by World Input-Output Database (WIOD) sector are predominantly 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.



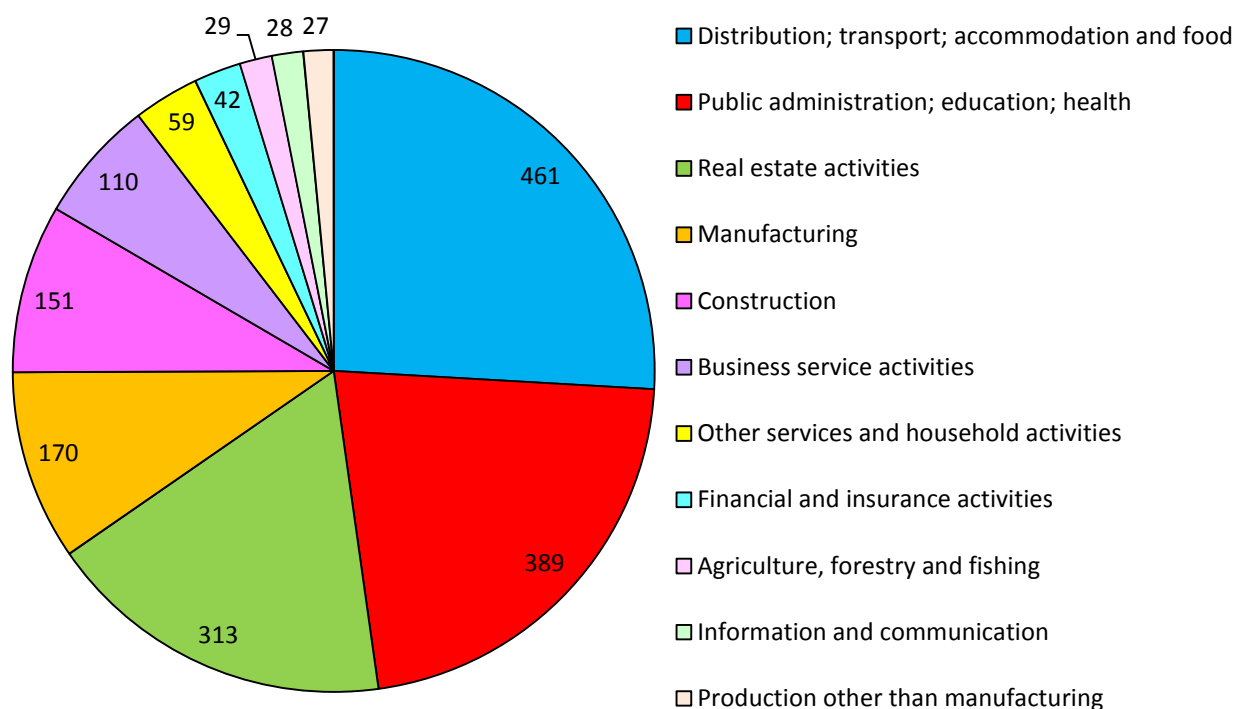
Source: Office for National Statistics dataset UKBAA01b - Enterprises⁵³

- 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

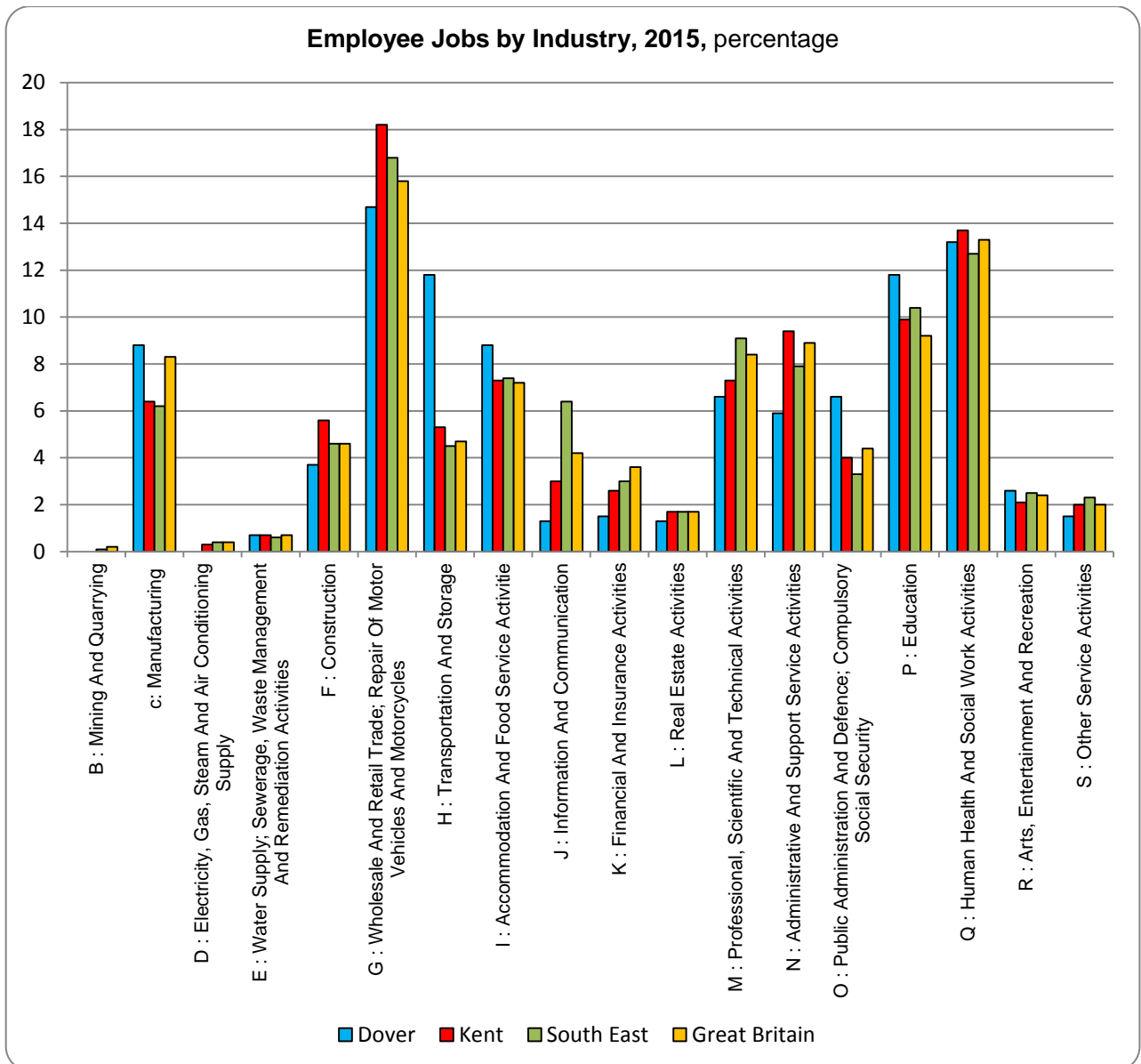


Source: Office for National Statistics, March 2017

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

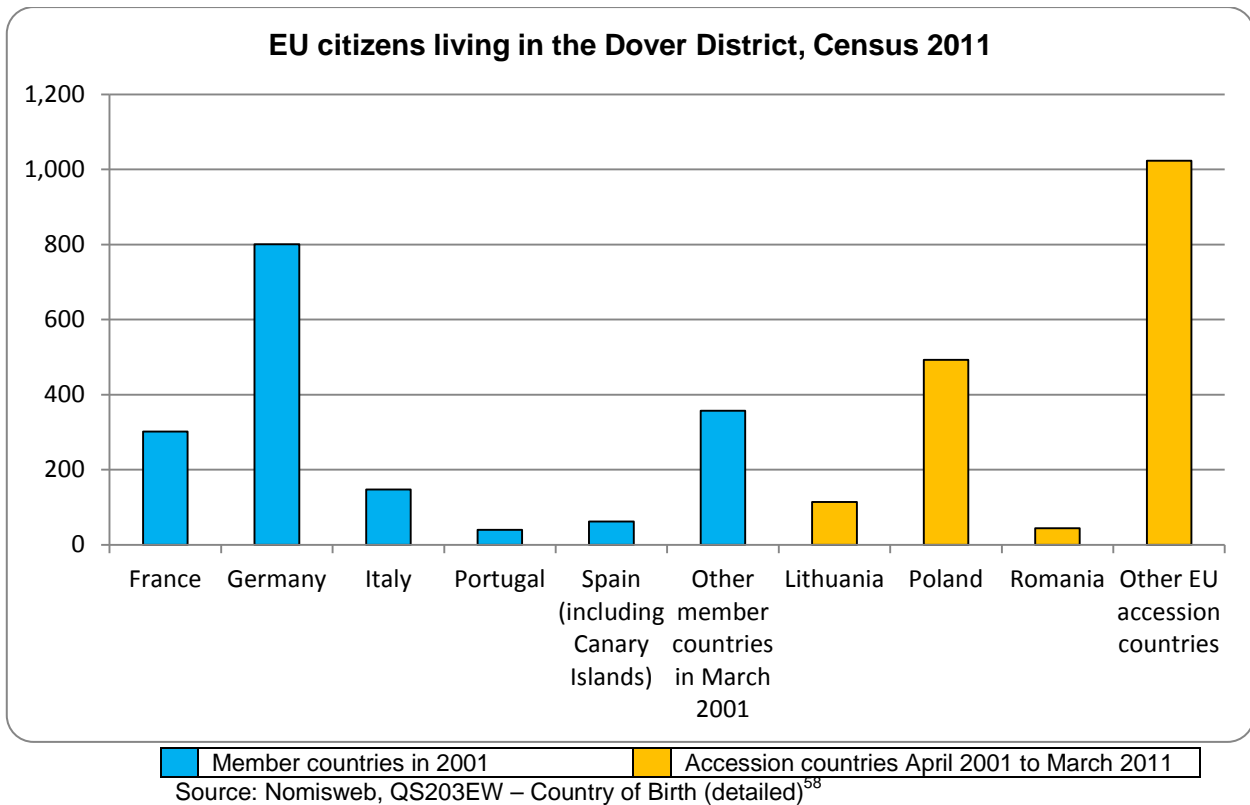
EU citizens living in the Dover district

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

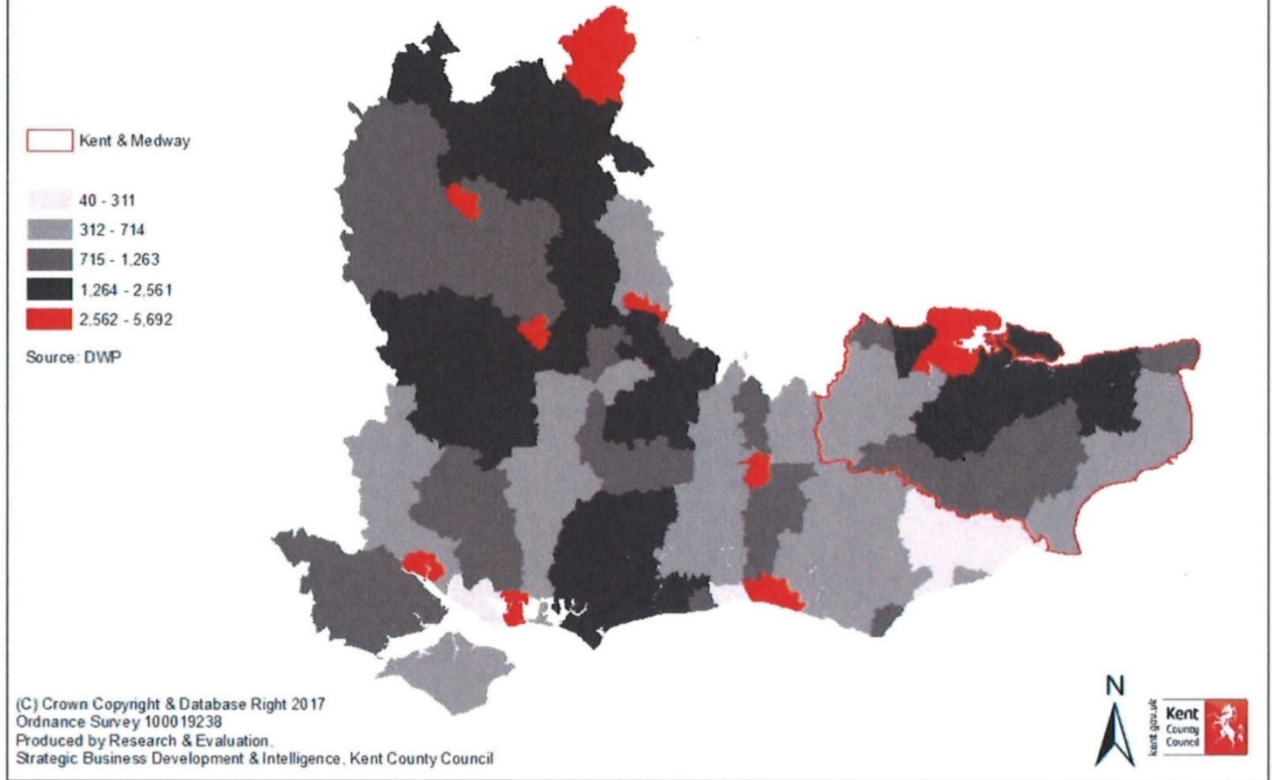
National Insurance Number (NINo) allocations

- 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.

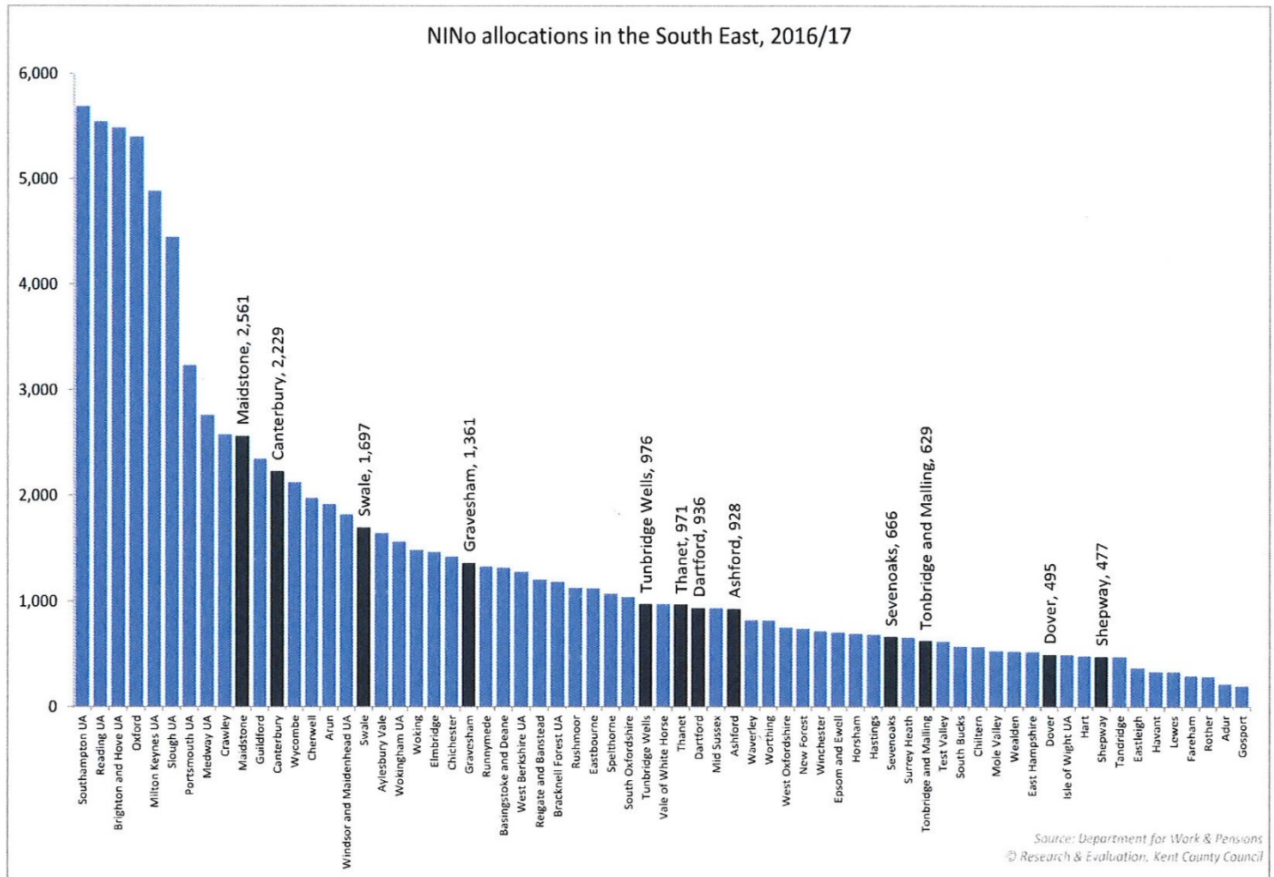
⁶⁰ House of Commons Briefing Paper – Migration Statistics (February 2018). Online at: <http://researchbriefings.files.parliament.uk/documents/SN06077/SN06077.pdf>

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>

NINO allocations to overseas workers in the South East Region 2016/17



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.

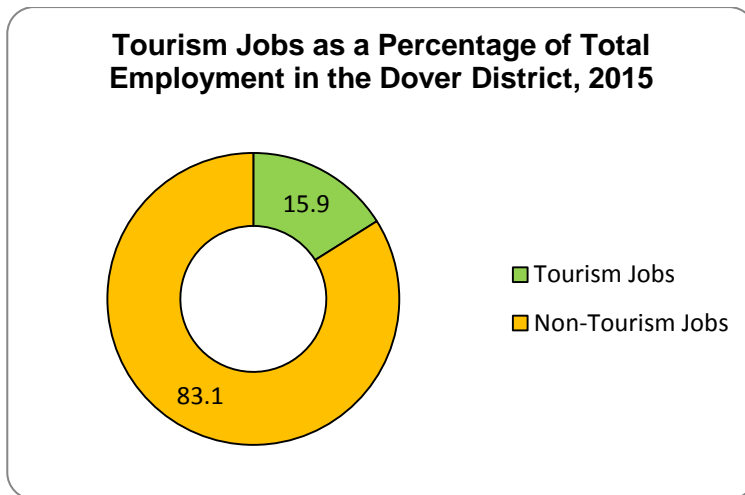
5. Tourism

- 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

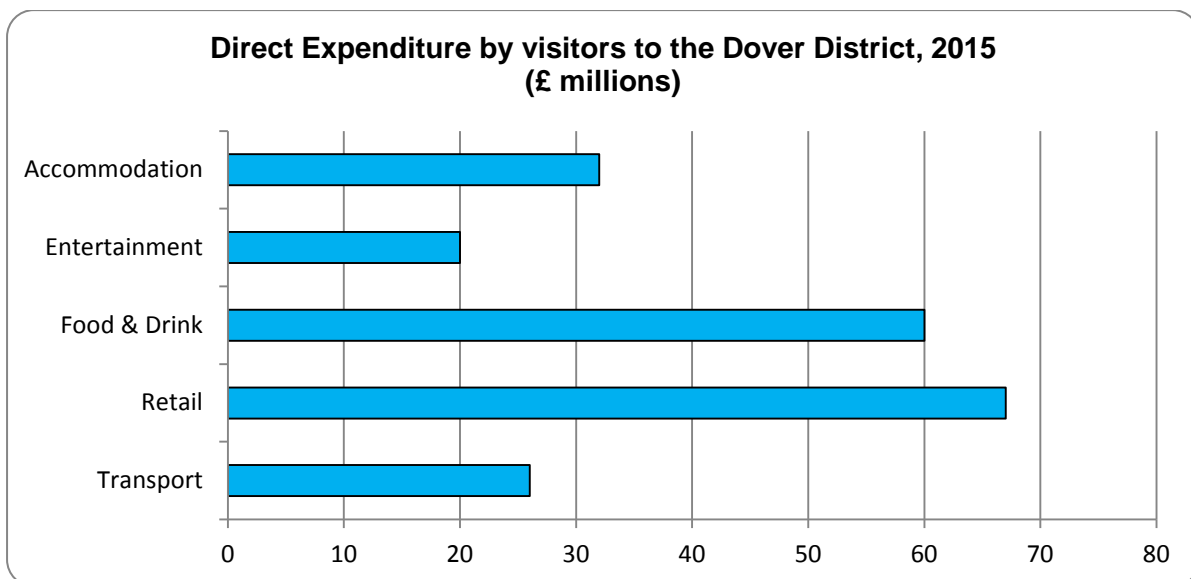
⁷⁰ LGA Local Solutions: boosting the visitor economy (July 2016). Online at:
<https://www.local.gov.uk/sites/default/files/documents/local-solutions-boosting--494.pdf>

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



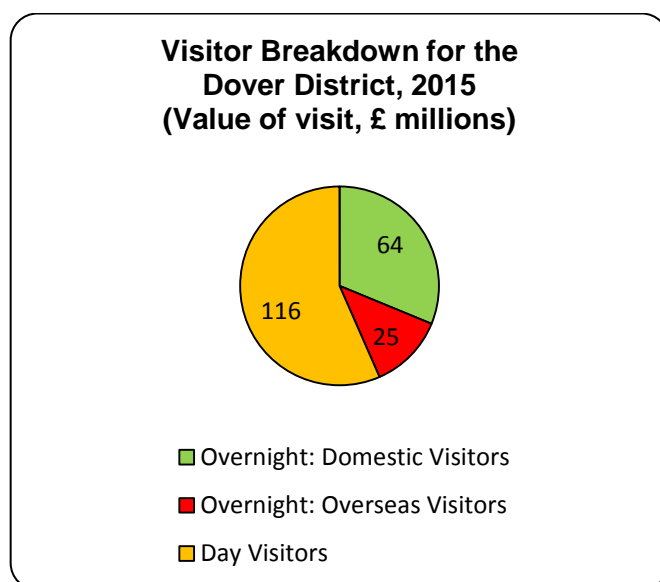
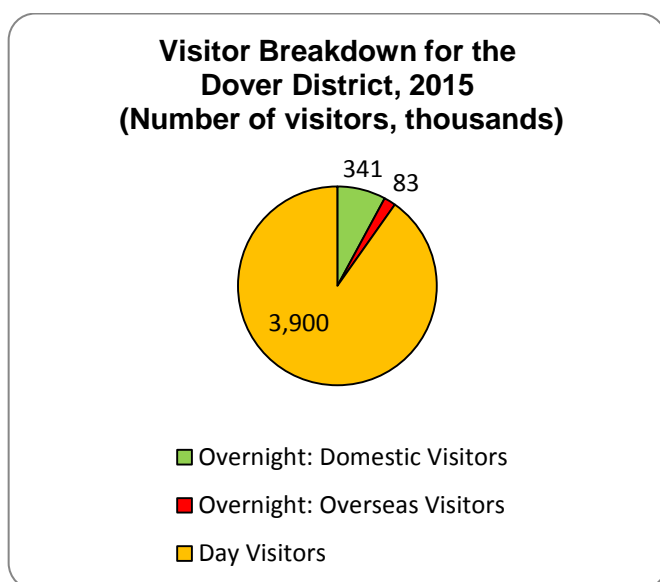
Source: Destination Research Economic Impact of Tourism, Dover – 2015 (published 2016)

- 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 exits 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

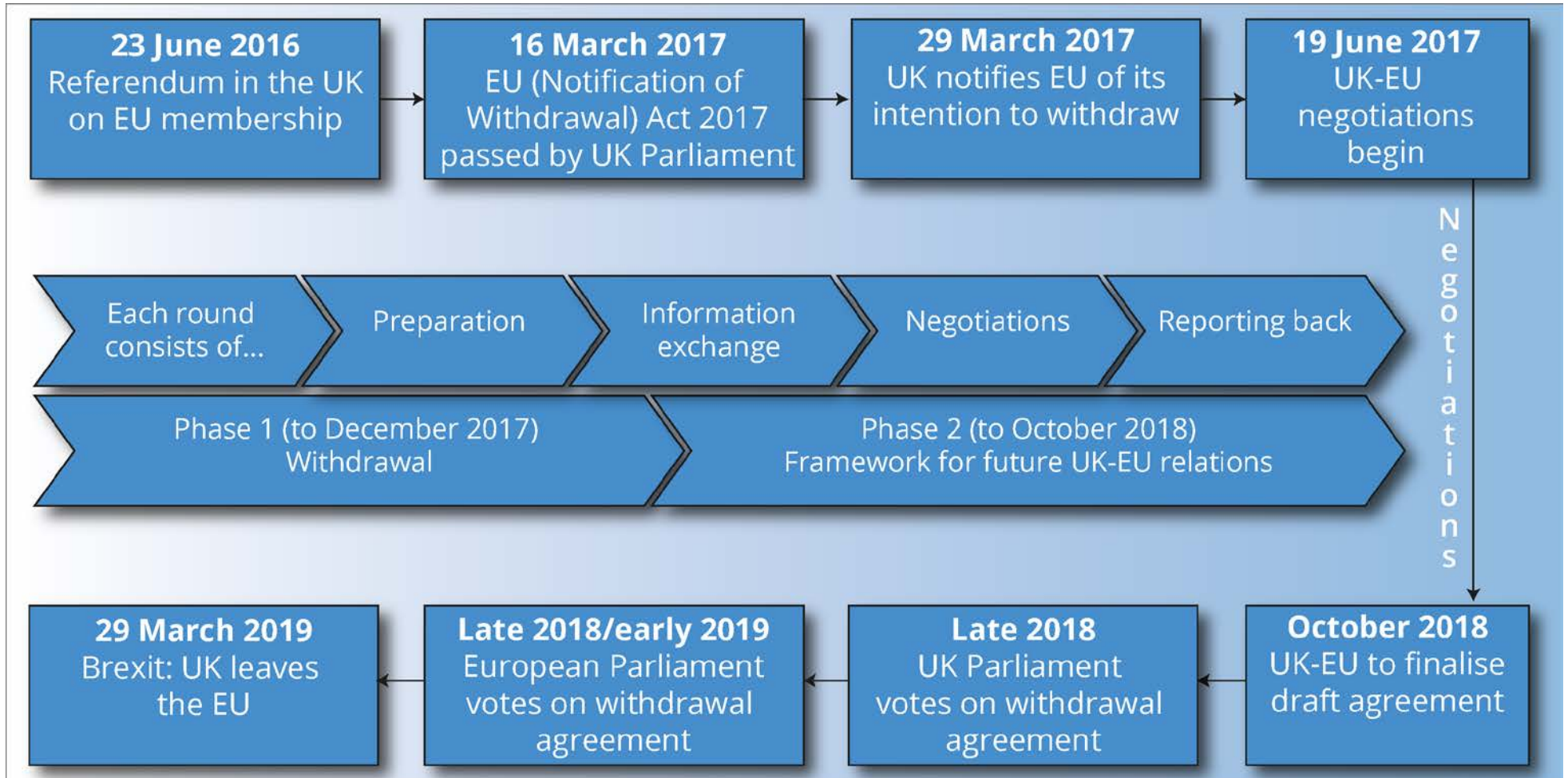
- 8.7 Specific risks from British withdrawal from the EU arise in relation to healthcare provision:
- Staffing levels and the risk of skills shortages arising from the re-imposition of visa restrictions on migrant workers from EU member-states⁹⁸. Whilst these individuals represent only around five percent 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>