

From: Paul Carter, Leader

To: County Council, 12<sup>th</sup> July 2018

Subject: **Brexit Preparedness – Kent County Council Position**

Summary: This paper outlines Kent County Council's (KCC's) position on the preparedness for effectively implementing Brexit and calls for the Government to take action to better co-ordinate implementation and contingency planning across all national and local partners.

**Executive Summary:**

Negotiations over a UK-EU Brexit deal are ongoing; the Government expects arrangements to be signed which leaves the borders "as frictionless as possible" and we support the government in that endeavour. However, Kent's position as the gateway to Europe means that the county faces increased risks if the conclusion of UK-EU negotiations does not deliver this. Any increased border and customs checks could lead to delays and long queues of port freight traffic which could ultimately lead to Operation Stack being implemented, with the M20 being closed in part or in both directions. It has been our long term objective to avoid this disruption to the Kent highway and to keeping the whole of the strategic network open at all times. We need to avoid the dire consequences experienced in 2015 which impacted on the Kent economy and and more broadly on the national economy.

KCC officers have positively engaged with the planning arrangements that the Government has put in place to consider these matters. However, uncertainty means inevitably plans still need to be resolved, with some concerns that multi-agency working across government departments and with Kent needs to be enhanced. This covers more than just port delays and avoiding Operation Stack and includes:

- Trading Standards
- Border Security
- Port Resilience
- Robust contingency plans covering all eventualities along with the necessary resources.

Regarding Operation Brock, the replacement to Operation Stack, it is essential there is a robust, workable implementation plan that utilises all available resources. Since 2015, Stack has been avoided through the effective deployment of Dover TAP and increased lorry parking being available at the Port of Dover and at Eurotunnel. We urge the Government to consider making further resources available including the opportunity of additional TAP on the A2 near Lydden and to exploit the Department for Transport's (DfT) investment in Manston. We are continuing to work with Highways England on their proposals for an interim traffic management proposal on the M20 which is currently out for consultation.

The Government should consider whether any additional powers in legislation are required to ensure that all national and local agencies have the necessary authority to take emergency action to ensure the free-flow of traffic. This could support Kent Police, alongside additional technology and the cooperation of neighbouring Police forces, to stagger the arrival of lorries into Kent. Close co-operation will be needed along with sufficient funding and manpower to maintain free flowing traffic as far as

is possible. Consideration should also be given to a system of effectively holding freight at its point of origin or specific hubs when port capacity is limited. The Government should engage with port operators and the logistics sector to develop an integrated strategy and commit the necessary infrastructure investment. It should also consider investing in Kent's wider port infrastructure, including Sheerness and Ramsgate to provide additional resilience to the County's infrastructure.

Kent Trading Standards play a critical role in enforcing product safety domestically and at the border, ensuring the efficient processing of referrals from UK Border Force and National Trading Standards. If there is a greater number of vehicles subject to inspection under new customs arrangements, demand for Kent Trading Standards services will increase and require substantially greater capacity. To provide the additional Trading Standards officers with the appropriate training will take time and resource. Government should fully fund the impact on Kent Trading Standards and Kent Scientific Services to respond to any increased cost and demand pressures.

Importantly, and irrespective of any deal agreed with the EU on customs, the operation of borders and customs on the Continent is a matter for national governments not the UK/EU negotiations. Alongside UK preparations, the effectiveness of the border and customs operations at the Continental Ports is essential to maintaining freight fluidity at Kent's Channel Ports and free-flowing traffic on Kent's highways. The UK Government should strengthen its bilateral engagement with the respective national governments to agree the practical arrangements and necessary investment. The UK has previously successfully agreed bi-lateral treaties with France (including Le Touquet and Sandhurst) that have ensured effective border arrangements for the movement of people, and it should consider similar bi-lateral treaties for goods in support of the effective implementation of a UK-EU deal.

A number of immediate priorities have been identified:

- KCC will continue to pro-actively work with the Government in developing and co-ordinating its implementation planning for Brexit, including supporting the Kent Resilience Forum work on scenario and contingency planning.
- KCC will work with Highways England and the Department of Transport on their proposals for an interim traffic management solution and a permanent solution to Operation Stack which maintains free flowing access to the Queen's highways.
- KCC will urge the Government to invest in Kent's wider port infrastructure to enhance the county's resilience.
- KCC will seek the Government's commitment to fully meet the direct costs of new burdens and demand pressures because of Kent's exceptional position, through a short-term direct grant and the UK Shared Prosperity Fund.

**Recommendation(s):**

County Council is asked to:

**(1) Endorse** Kent County Council's position as set out in this paper.

## 1. Introduction

- 1.1 Following the UK's vote to leave the EU, the UK Government triggered Article 50 in March 2017, starting a two year negotiation on a Withdrawal Agreement. On 29<sup>th</sup> March 2019 the UK will leave the EU and all EU law will transpose into UK law, following which the UK Government will be able to keep, amend or discard each law. The UK can leave the EU in March 2019 without an agreement, but an 'orderly withdrawal' is the desired outcome for all parties.
- 1.2 A phased approach has been taken to the UK/EU negotiations. In December 2017 the first phase concluded, with satisfactory progress on citizens' rights, the UK's contribution to the EU budget and participation in EU programmes and the Ireland/Northern Ireland border arrangements. The second phase concluded in March 2018, with agreement on a 21-month transition period until December 2020 when current arrangements will continue. The UK/EU negotiations are now focused on their future relationship including customs, security, criminal justice, economic co-operation, and a science, research and innovation partnership. The expressed aim is to have an agreed Withdrawal agreement between the UK and EU by October 2018 for ratification.
- 1.3 A number of pieces of legislation will implement the UK's withdrawal from the EU. These include the European Union (Withdrawal) Bill, a Trade Bill which would allow the UK to operate its own trade policy after Brexit, a Taxation (Cross-border Trade) Bill which will replace EU customs rules and allow the UK to impose its own tariffs after Brexit, and an Immigration Bill. Several of these bills have begun passage through parliament, with the EU (Withdrawal) Bill receiving Royal Assent on 26<sup>th</sup> June 2018.
- 1.4 A European Council Summit was held on 28<sup>th</sup> and 29<sup>th</sup> June which included discussion on Brexit withdrawal issues, the Ireland/Northern Ireland border and the framework for the future relationship between the EU and UK. Details of the UK Government's Brexit White Paper, setting out the Government's priorities for the UK's future relationship with the EU, is expected following a Cabinet meeting on 6<sup>th</sup> July. Subject to progress with the negotiations, the European Council's next meeting in October provides an opportunity to agree the Withdrawal Agreement.
- 1.5 There remains significant uncertainty as to what form Brexit arrangements will take and what specific impacts or opportunities this may have for Kent. Brexit remains a fast moving agenda and both the UK and EU have stated that '*nothing is agreed until everything is agreed*'. Therefore, whilst negotiations are ongoing there remains the potential risk for the UK to leave the EU in March 2019, moving to World Trade Organisation (WTO) rules, without an implementation period.
- 1.6 Whilst the Government is negotiating with the EU and taking legislation through Parliament to enable Brexit, KCC is engaging supportively through appropriate national, regional and local partnership channels and monitoring the developments closely to consider the impact for the county. However, as we get closer to the implementation stage specific issues for the county have become apparent, which the Government needs to address. We had expected greater clarity and transparency in developing options for

implementation at this stage in the negotiations than has happened. This has led to a lack of detailed information about the implementation plans which will directly affect the county and our frontline services.

- 1.7 KCC has a strategic leadership role on behalf of the residents and businesses of Kent and needs to stand up for Kent's interests. The implementation of Brexit will likely have wide ranging impacts on public services, communities and businesses on a scale that will not be faced by other areas of the country. Kent should not have to experience a disproportionate impact on economic competitiveness or financial cost to public services as a consequence of either the deal that is or is not agreed.
- 1.8 This position paper focuses on the critical issues for the county that require a response from the Government, including borders and customs, transport, security and resilience, and the economy and business. It also outlines some of the potential solutions to these issues, including the use of the Shared Prosperity Fund to meet any direct costs of Brexit on the county.
- 1.9 KCC will work with the Government to ensure the effective implementation of Brexit and positively engage with our international, national and local partners to find collaborative solutions. We will proactively work with the Government and undertake joint lobbying with our partners. This will include collective and individual work with Kent MPs on key issues for Kent residents and businesses. Whilst we are focused on short term implementation issues, we will also seek to influence future legislative opportunities longer-term once the current EU legislation transposes into UK law.

## **2. Kent County Council Preparations**

- 2.1 KCC has taken a proactive co-ordinated approach to support preparations for Brexit, closely monitoring national and local developments. In December 2017, we established an internal, cross-directorate Brexit Co-ordinating Group, which identified potential issues and opportunities. An informal briefing for Scrutiny Committee on Brexit was provided in January 2018. In February 2018, a Brexit Informal Cabinet Sub Group was created to provide Member co-ordination, consider evidence, identify lobbying opportunities and appropriately escalate risk.
- 2.2 Cabinet Members have identified several priority themes, which are detailed in this paper. In addition, monitoring is continuing on long-term Brexit implications including commissioning, workforce and skills, unaccompanied asylum seeking children, health and social care, environment, waste, community cohesion, business and trade and specific EU funding streams. The continued uncertainty about the nature of the future UK/EU relationship, has meant we have been unable to develop detailed impact assessments on specific issues or services; however, our approach and preparatory work has developed a better understanding of the implications for KCC's services and the county and highlighted particular risks.
- 2.3 In November 2017, KCC provided written evidence to the CLG Select Committee inquiry on Brexit and Local Government. The response focused on Kent's exceptional issues including its border, customs arrangements,

transport infrastructure capacity and cross-border relationships, alongside core issues which will potentially impact local government.

- 2.4 To support collaborative working and respond to shared opportunities and challenges, KCC is positively engaging with international, national, regional and local partners including the Hauts-de-France region, Local Government Association, South East Strategic Leaders, and Kent Resilience Forum. We also informally share information with key partners including District and Borough Councils, Kent Association of Local Councils and Kent Police. In addition, KCC has been proactively engaging with senior civil servants through a number of working groups that have been set up to explore potential post-Brexit arrangements for borders, customs and transport through the Kent Border Planning Group and the Kent Strategic Freight Forum.
- 2.5 KCC has also engaged in research to support a greater understanding of the potential opportunities and risks from Brexit including commissioning studies from the Kent Business School and contributing to the multi-agency working groups for Canterbury Christchurch University's Brexit research.

### **3. Borders and Customs**

- 3.1 The EU customs union and single market ensures member states have regulatory alignment and all charge the same import duties to countries outside the EU. It allows member states to trade freely with each other, without customs checks at borders, but it limits their freedom to strike independent trade deals. The Government is seeking a new customs arrangement that maximises independent trade potential and facilitates the "*freest and most frictionless trade possible*" in goods with the EU.
- 3.2 However, irrespective of any deal agreed with the EU, the operation of borders and customs on the Continent is a matter for national governments, not the UK/EU negotiations. Alongside UK preparations, the effectiveness of the border and customs operations at the Continental Ports is essential to maintaining freight fluidity at Kent's Channel ports and free-flowing traffic on Kent's highways. To date, the Article 50 process has limited the ability for national customs authorities to be involved in bilateral talks with their UK counterparts. However the EU have recognised the importance in all national governments preparing for the UK's withdrawal from the EU and are supporting discussions between various national governments in July. The UK has previously successfully agreed bi-lateral treaties with France (including Le Touquet) and in January 2018, the UK/France 'Sandhurst Treaty' reinforced cooperation for the co-ordinated management of the shared border. These agreements have ensured effective border arrangements for the movement of people and the Government should consider similar bi-lateral treaties for goods in support of the effective implementation of a UK-EU deal.
- 3.3 In March 2018, the draft Withdrawal Agreement announced an implementation period from March 2019 to December 2020, where current borders and customs arrangements would continue with free movement and circulation of goods placed in the market.

3.4 The Government is developing two potential options for the future customs relationship with the EU; however, there is presently no consensus on a favoured option within the UK Government and the EU Commission has indicated that both options are not currently acceptable to the EU:

- ‘*Maximum facilitation*’ - a ‘highly streamlined’ customs arrangement to minimise customs checks using new technology and trusted trader schemes.
- ‘*A customs partnership*’ - would remove the need for new customs checks at the border, with the UK collecting tariffs set by the EU on goods coming into the UK. If those goods didn't leave the UK and UK tariffs on them were lower, companies claim back the difference.

3.5 The Government’s commitment to a ‘*frictionless as possible*’ border is critical to maintaining free-flowing trade and transport fluidity throughout Kent. Provided there is an implementation period agreed, the Government must provide a clear approach for new border and customs arrangements by October 2018 at the latest, to provide adequate planning and preparation. A 21-month implementation is unlikely to provide sufficient lead-in time required to deliver the necessary infrastructure, systems and capacity on both sides of the Channel. The length of any ‘implementation’ period for Brexit should be based on practical considerations and ‘infrastructure readiness’. This needs to recognise the significant lead-in time required to get the right infrastructure and skills workforce in place.

3.6 At a national level, parliamentary committees and the National Audit Office have highlighted the substantive systems capacity and workforce issues that need to be addressed in order to respond to future border and customs changes. A key challenge is whether new technology solutions can be implemented in time – with estimates this could take 3-5 years to put in place.

3.7 The Government has created a Kent Border Planning Group to bring together national, regional and local partners (including KCC) to prepare future arrangements. Evidence to the Treasury Select Committee in June confirmed that a post-Brexit specification for ports has been developed and shared with individual ports, with another in development for the Channel Tunnel.

### 3.8 ***Kent’s exceptional issues***

Kent has an exceptional geographical position as the gateway county to Europe, including the largest ‘roll on roll off’ port in the UK at Dover and the unique Channel Tunnel. Kent will experience a far greater direct impact of any change to border and customs arrangements, in comparison to other areas of the country. The impact at the Channel Ports is unique because of the volume and pace of freight. Traffic is predominately intra-EU, roll-on roll-off, with little or no space to hold vehicles and short turnaround times.

- 4.2m freight vehicle movements through the Channel Ports each year.
- 2.6m trucks and 2.2m cars through the Port of Dover in 2017.
- 1.6m trucks and 2.6m cars through the Channel Tunnel in 2017.
- 11.5m passengers travelled through the Port of Dover in 2017.
- 20.6m passengers using Eurotunnel and Shuttle services in 2017.

- 3.9 We want the county to be ready to embrace the opportunities of Brexit, but we also need to enhance the county's resilience. This is why we support the Government's commitment to a '*frictionless as possible*' border to facilitate free-flowing trade and transport fluidity throughout Kent. Provided there is an implementation period agreed, the Government must provide a clear approach for new border and customs arrangements by October 2018 at the latest, to allow adequate planning and preparation for any changes.
- 3.10 Kent's peninsular position means our road, rail and port facilities are vital to the resilience of the county and the UK's economy and productivity. Kent's infrastructure supports essential manufacturing, logistics and agricultural sectors within Kent and throughout the UK and Ireland, with £122bn of trade in goods through Dover and €137.8bn through the Channel Tunnel each year. The Channel Ports business models are entirely based on free movement and freight fluidity. Any localised impact at Dover and Folkestone could impact more widely, not only throughout Kent's local and strategic transport networks, but indeed nationally.
- 3.11 International companies such as Amazon, DHL and car manufacturers favour the speed and convenience of Kent's routes as critical to their business success. A large part of the UK's economy is dependent on imports and exports with mainland Europe through the Strait of Dover. Any disruption to these strategic ports of entry could cause fundamental market shifts, particularly if there is an impact on time sensitive products such as fresh produce or 'just in time' car parts. Some European providers are contingency planning for alternative routes directly to Ireland and other parts of the UK if there are costly time delays within Kent.

- 1,100 trucks with 'just in time' car components cross the channel daily.
- Automotive and transport exports through the Channel Tunnel have a value of £6.1bn a year.
- 36% of firms rely on 'just in time' delivery of material or components (based on survey of 800 businesses).
- 29% of firms are sensitive to delays or congestion at UK or European ports (based on survey of 800 businesses).

- 3.12 The last border and customs inspections at Dover Port were in the early '90s and the facilities are no longer suitable for additional checks on site. There should be maximum use of self-assessment to allow traders to calculate their own customs duties and aggregate their customs declarations where possible. It is important that the Government actively considers the use of inland processing centres and temporary holding/storage facilities, both within Kent and strategic locations across the country. The Government needs to recognise that private commercial investment will not deliver the scale of facilities required; this issue is of national interest and requires national investment.

3.13 ***Animal and Food Checks***

The Channel Ports form a significant transport route for food and animal feed products, with an estimated 5.48m tonnes of food from EU countries coming through each year. At present, very little of this traffic is subject to any kind of food or feed safety control and flows freely through the ports.

- 25% of all UK food imports come through the Channel Ports.
- 27% of vehicles through Channel Ports are carrying food.
- The UK exports about £8bn of fresh produce a year.
- The UK imports £12-13bn of fresh produce a year.
- In 2017 Trading Standards visited 260 high risk food, feed and farm premises and 350 samples were analysed by Kent Scientific Services.

- 3.14 The national Animal and Plant Health Agency (APHA), carries out checks for compliance at the ports, including supervised loadings of export consignments and checking journey documentation. At a county level, KCC's Trading Standards service are responsible for carrying out enforcement of animal health and disease control legislation (including rabies), carrying out inspections at markets, hauliers and farms, with powers to take appropriate enforcement action. At a local level, Port Health Authorities (district councils with a port or airport in their area) have responsibility to protect the public through environmental and animal health and carry out health controls at the border. These partners work closely together on food and animal health controls.
- 3.15 After Brexit, the UK will need to establish its own regime for import controls, including sanitary (animal health) and phytosanitary checks (related to plant health including fruit and vegetables and the control of plant diseases) which are undertaken with Port Health Authorities, supported by scientific testing and veterinary examination, in addition to any customs and security checks. This could represent a significant increase in demand required for food inspections and testing for local authorities in Kent.
- 3.16 The Government has said their priority is to maintain environmental, welfare and biosecurity standards in a way that supports trade and the smooth flow of goods. Sanitary and phytosanitary checks are a critical part of infection control to protect animals, plants and the public. Industry experts from Eurotunnel, Ports of Dover and Calais and the Freight Transport Association have raised concerns that the sanitary and phytosanitary checks legally required on both sides of the border potentially represent an even greater challenge than customs checks.
- 3.17 **Trading Standards**  
Kent Trading Standards is responsible for enforcing product safety domestically and at the borders, using over 250 acts and regulations. Under the current EU law, they have powers to prevent unsafe goods entering the EU, the cost for this is borne by the importer. They also have powers under UK law to seize and detain EU goods in free circulation, at their own expense, which is only recoverable through the criminal courts. Kent Trading Standards has a working budget of £1.6m and 26 FTE located flexibly across the county to respond to referrals quickly and efficiently. There is no permanent capacity based at the Channel Ports.
- 3.18 Referrals are made to Kent Trading Standards by the National Trading Standards (NTS) Single Point of Contact (SPOC) and UK Border Force for investigation and enforcement. The NTS SPOC team supports border authorities to conduct effective and appropriate border controls, based on



identified risk and intelligence. The NTS set up national profiles on non-EU goods, which identify 'hits' for referrals to local Trading Standards services. Locally, UK Border Force refer what they find on inspection to Kent Trading Standards.

- 3.19 Currently, 100,000 Non-EU 'Third Countries' vehicles are subject to inspection a year through the Channel Ports. Post-Brexit, the NTS profiles are likely to look much wider to incorporate EU goods, which may increase referrals nationally. If UK Border Force undertake more inspections, referrals are also likely to increase but will be limited by the officer capacity available and their instructions to stop.
- 3.20 Estimates prepared by Kent Trading Standards indicate that if the number of vehicles subject to inspection increased as a result of new customs arrangements from 100,000 to 2 million, as might be the case in a 'no deal' scenario, and Trading Standards were also required to deal with imports using domestic legislation, there could be a substantial increase in Trading Standards capacity required to respond to this increase in demand. Capacity for referrals could increase from 1,910 to 6,810 hours a year (a 262% increase).
- 3.21 If other port capacity in Kent increases this would also have an additional impact on demand. The Government should fully meet the costs required to provide the training, expertise and capacity to meet increased demand for public protection services to help keep consumers safe.

- 150 customs declarations an hour at the Channel Ports.
- 100,000 'Third Country' vehicles currently subject to inspection.
- 185,000 UK traders have no experience of customs declarations.
- Currently 191 referrals to Trading Standards a year, taking 1,910 hours.
- An average referral takes around 10 hours of Trading Standards time.
- The average training time for a Trading Standards officer (TSO) is 1-3 years to undertake written, oral and practical examinations, with an estimated training cost of £9,346.
- A TSO salary costs range from c.£19-21k for a trainee TSO to c.£28-32k for a qualified TSO (without on-costs).
- If the number of vehicles subject to inspection increased to 2m a year, this could require 6,810 hours of Trading Standards capacity.

- 3.22 The Government also needs to provide clarity on the future legislative and regulatory requirements for Trading Standards to support business readiness. The Government should fully fund Kent Trading Standards and Kent Scientific Services to respond to the cost and demand pressures of future customs arrangements.
- 3.23 Work undertaken on borders and customs includes:
- Submitting a Trading Standards response to the Government consultation on '*Future Customs Arrangements, A Future Partnership*' (Dec 17).
  - Participating in the European Parliament conference on freight fluidity (Mar 18).

- Providing a report on Trading Standards to the Growth, Economic Development and Communities Cabinet Committee (Mar 18).
- Contributing to the soon to be published National Audit Office report “Exiting the EU: Consumer Protection, Competition and State Aid” (Apr 18).
- Engaging with the Border Planning Group and Border Delivery Group.
- The Environment, Planning and Enforcement Division are undertaking scenario planning on service impacts (including in event of ‘no deal’).
- Trading Standards are developing a business case (including future cost pressures and demands for services to identify additional resource and allocation across the county).
- Engaging with the Dover District Council Brexit Taskforce (Jun 18).

3.24 To continue to promote Kent’s interests we will:

- Lobby the Government to fully fund the direct costs for Kent Trading Standards to respond to the cost and demand pressures of future customs arrangements.
- Work with the Local Government Association and our partners to hold a ‘round-table’ to consider Kent’s exceptional issues.

#### 4. Transport

4.1 The Government needs to deliver sustainable solutions for Kent’s transport networks, which are of national importance and already under pressure, to help keep the country moving and avoid wider disruption for Kent’s residents and businesses.

#### 4.2 **Strategic and Local Road Network Infrastructure**

Any changes to Kent’s border and customs arrangements need to maintain the effective movement of freight through the Channel Ports. Kent already experiences a disproportionately higher volume of Heavy Goods Vehicles (HGVs) using its roads than other parts of the UK, which will be compounded by any further pressures on the highway network from Brexit. Alongside any UK disruption, Kent is also at risk from transport disruption due to any additional checks and delays on the EU side of the Channel.

4.3 Kent needs timely decisions and appropriate investment by Government in infrastructure improvements to ensure the resilience of the county’s network and the UK’s economic competitiveness. This includes enhancements to the M2/A2 corridor in combination with the new Lower Thames Crossing to provide a new strategic route from the Port of Dover to the Midlands and the North. Improvements also need to include the connections between the two strategic corridors of the M2/A2 and the M20/A20 to enable the bifurcation (splitting) of port-bound traffic, namely improvements to the A249 and A229.

- KCC is the Local Transport Authority for Kent responsible for 5,400 miles of roads.
- The Port of Dover and Eurotunnel both predict a potential doubling of freight traffic over the next decade.

#### 4.4 **Operation Stack**

Insufficient transport infrastructure to respond to the scale of traffic on Kent's roads and changes in border and customs arrangements puts our economy at risk and risks significant congestion in the county and further afield. An effective interim traffic management scheme and permanent solution for Operation Stack and overnight lorry parking is essential for a growing county and is vital to avoid additional pressure on Kent's road network. It has been our long term objective to avoid the disruption of Operation Stack to the Kent highway and to keep the whole strategic network open at all times. Finding an alternative solution to Operation Stack is a key strategic priority for KCC as set out in *Local Transport Plan 4: Delivering Growth with Gridlock (2016-2031)* and the *Freight Action Plan for Kent* policy documents.

- The disruption of Operation Stack has estimated daily costs of £1.45m to Kent and Medway's economy.
- Operation Stack is estimated to cost the UK economy £250m a day.

4.5 The direct impact of Operation Stack on Kent's economy is significant; we need to avoid the dire consequences experienced in 2015 when Operation Stack was in place for a prolonged period and transport, logistics and tourism sectors reported real losses. Kent's businesses have faced additional costs, local accessibility and business productivity has been affected and the perception of Kent as a place to do business and to visit has been undermined. There is also a significant human cost to Operation Stack of considerable journey time delays and unreliability, local service provider cancellations, and residents unable to attend doctor's surgery or hospital appointments, get to school or work, or access the most basic services such as the shops for food.

4.6 Any plan to hold HGVs on the M20 while also allowing non-port traffic to continue to travel in both directions will significantly reduce capacity on the M20. This will result in the kind of disruption to both strategic and local traffic that is suffered with the existing arrangements for Operation Stack. It is therefore essential that any solution enables the M20 motorway to remain open in both directions at all times with sufficient capacity to allow effective flow on the Strategic Road Network, maintain freight fluidity through the Channel ports, and create no leakage of traffic onto an already stressed local road network. Regarding the future arrangements for Operation Brock, the replacement to Operation Stack, it is essential there is a robust, workable implementation plan that utilises all available resources.

4.7 Highways England is developing the options for an interim traffic management scheme and a permanent solution for Operation Stack, with a 'Public Information Exercise' running during June and July 2018. KCC's draft response to Highways England public information exercise will be discussed at the Environment and Transport Cabinet Committee on 13<sup>th</sup> July 2018.

4.8 KCC will continue to work with Highways England and the Department for Transport on their interim traffic management scheme and permanent solution, considering all available options. This should include the rapid deployment of an effective contra-flow system, maximising usage of all freight holding facilities both in and beyond Kent, and further testing of the

Government's previously developed contingency plan for holding freight traffic at the former Manston airport site.

- 4.9 Since 2015, Operation Stack has been avoided through the effective deployment of Dover TAP and increased lorry parking being available at the Port of Dover and at Eurotunnel. To support the wider resilience of the highways network, there should be a system of control to regulate the flow of traffic heading to ports linked in real-time to the capacity of ports. For Kent, this could be an enhanced version of the traffic management solution into the Port of Dover (Dover TAP) expanded across the wider South East. Consideration should also be given to a system of effectively holding freight at its point of origin or specific hubs when port capacity is limited. The Government should engage with port operators and the logistics sector to develop an integrated strategy and commit the necessary infrastructure investment.
- 4.10 This may require the Government to provide additional resource, both in terms of revenue for operational staffing requirements and capital for appropriate infrastructure to support the solution and address this national issue. This includes considering making further resources available including the opportunity of additional TAP on the A2 near Lydden and to exploit the Department for Transport's (DfT) investment in Manston. The Government should also consider whether any additional powers in legislation are required to ensure all national and local agencies have the necessary authority to take emergency action to ensure the free-flow of traffic. This could support Kent Police, alongside additional technology and the cooperation of neighbouring Police forces, to stagger the arrival of lorries into Kent. Close co-operation will be needed along with sufficient funding and manpower to maintain free flowing traffic as far as is possible.
- 4.11 ***Lorry Parking***  
Alongside an interim traffic management scheme Highways England is working up plans for a permanent on-highway Operation Stack solution or one or more lorry parks across the county to deal with the stacking of lorries when an Operation Stack event is called. KCC has actively engaged with Highways England on how these options could affect the local road network and has urged that lorry park operators are involved in the plans to include greater provision for overnight lorry parking.
- 4.12 As a result of significant freight volumes and the EU driver's hours regulation, HGV drivers are often required to take both daily driving breaks and overnight rests in the county. There is currently a severe shortfall of official lorry parking spaces in Kent which fails to meet the needs of the freight industry and results in inappropriate lorry parking blighting many local communities due to impacts such as lorry related crime/thefts, road safety, damage to roads, kerbs and verges, environmental health issues (including human waste), litter and noise disturbances, especially when close to residential areas. There is a high demand for purpose built lorry parking facilities.

- 11,500 freight vehicle movements through the Channel Ports each day.
- In Kent almost 1,000 lorries a night are parked in lay-bys, on verges and in other inappropriate locations across the county.

4.13 KCC is fully supportive of the concept of a permanent solution being brought forward. However, we are disappointed that the earliest completion date of any such scheme is now likely to be 2023, eight years after the Government's commitment in the Autumn Statement of 2015 to deliver a solution "at pace" and resulting in any interim solution potentially being in effect for several years. We strongly urge Highways England to make significant progress quickly on both an interim traffic management scheme and permanent solution to Operation Stack if these are to be ready in time for the UK's exit from the EU.

4.14 KCC is working with Highways England, the Department for Transport (DfT) and other relevant stakeholders to investigate the potential for constructing a network of lorry parks across Kent. We are also lobbying for additional lorry parking to be added to motorway service areas to alleviate this problem and provide safe and secure facilities for drivers. The better utilisation of motorway service areas is a clear opportunity to quickly provide some relief to the problem of overnight lorry parking until additional dedicated facilities can be provided.

4.15 KCC has made the case for a lorry park fund to help local authorities (and the private sector) to build lorry parks that provide adequate facilities for drivers. Additional lorry parking capacity is desperately needed in certain areas of the UK, especially in Kent, and is not currently being delivered to the required level by the private sector. The main obstacles to private sector delivery of lorry parks are the availability of funding or finance for the capital investment, and the planning process. Costs are often substantial and require a longer-term view of investment than a typical five to ten-year return that private investors would require. Funding for lorry parks through Highways England's proposed roadside facilities fund could help to remove this barrier to the delivery of much needed provision. KCC is currently developing business cases for potential lorry park sites in the county and a designated fund could help to finance these proposals through a capital contribution. The Government should consider upfront national investment in infrastructure such as lorry parks and act as the operator of what would normally be considered commercial facilities if circumstance require it.

4.16 ***Kent's Ports Capacity***

Kent's ports provide vital routes for cross-channel operators into the UK with demand for roll-on roll-off forecast to increase. Effective and resilient 'Ro-Ro' (roll on, roll off) capacity is crucial to those UK industries that operate on a 'just in time' (JIT) model for ordering and receiving inventory for production and sales from across the EU. Therefore, it is vital for our national economic competitiveness that the Government ensures Kent's port infrastructure is able to accommodate changes in customs requirements post-Brexit, meet future predicted increases in demand and has capacity to provide resilience.

4.17 We are conscious that the market will be preparing for Brexit and identifying the optimum routes between the UK and EU. It is important to recognise the

potential of Kent's ports in meeting this demand, through supporting an effective service at Dover Port and creating additional capacity at Kent ports. KCC recognises that if capacity and a cost effective service for cross-Channel operators is not available within Kent, businesses are likely to seek alternative routes between the UK and Europe.

- 4.18 Currently the vast majority of 'Ro-Ro' freight is routed through the Port of Dover, as the shortest sea crossing to continental Europe. It will be crucial for Dover to ensure it has the capacity and facilities to continue providing an efficient service post-Brexit. The current Dover Western Docks Revival project will create a purpose-built cargo and logistics facility at the Port, with bespoke cargo and logistics facilities, a dedicated ferry terminal in the Eastern Docks and a transformed waterfront for Dover. KCC will continue to support the ongoing development of the Port of Dover, including through our engagement in the Kent Strategic Freight Group.
- 4.19 However, whilst Dover will be the main focus for cross-Channel 'Ro-Ro' freight, KCC also recognises the potential for the Port of Ramsgate to provide additional resilience for 'Ro-Ro' freight traffic. Ramsgate has pre-existing 'Ro-Ro' berths and the c.£35m investment in the Ramsgate Harbour Approach tunnel in 2000 by KCC means that it has effective ingress/egress. With further investment to support dredging of the approach channel and a larger turning circle in the port, Ramsgate could accommodate larger 'Ro-Ro' vessels providing further resilience for the county.
- 4.20 The deep-water docks at Sheerness on the Isle of Sheppey also have 'Ro-Ro' capability and potential additional capacity to accommodate goods. Peel Ports have undertaken modelling which demonstrates that routing via ports such as Sheerness could provide additional capacity to improve productivity and provide supply chain resilience. Their analysis calls for sufficient and flexible warehouse capacity across the UK and the greater use of unaccompanied trailers, which could help to provide more time for border checks. This is an established business model for Ireland where up to 50% of cargo is trailer only, whereas 99% of Ro-Ro traffic using Dover currently uses a 'driver and cab' model.
- 4.21 Greater diversification of 'Ro-Ro' activity would enable greater resilience of cross channel ferry freight, help meet predicted growth in demand and mitigate potential delays for cross-channel operators if there are changes in border arrangements post-Brexit. The Government should consider investment into crucial infrastructure in light of the likely demands post-Brexit, and KCC will work with partners over the coming months to lobby Ministers.
- 4.22 We note that port capacity is also limited in Europe and it is important that the UK works with our European partners to ensure demand is met on both sides of the channel, for example at Calais, Dunkirk and Ostend.
- 4.23 Work undertaken on transport includes:
- Engaging with national and local partners and partnerships including the Border Planning Group, Highways England, Department for Transport, Kent

Resilience Forum, Business Advisory Board and Kent Strategic Freight Group.

- Working with the Kent Resilience Forum on scenario planning potential implications from a No Deal including the welfare aspect of an extended Operation Stack.
- Lobbying the government for a satisfactory resolution to the potential traffic implications from Brexit including writing to the Secretary of State for Transport on behalf of the Kent Strategic Freight Group in November 2017 and on concerns about the potential implications to Kent from a 'hard' Brexit in February 2018.
- Providing written evidence to the House of Commons Transport Committee's inquiry into Freight and Brexit in June 2018 highlighting the potential issues and setting out a number of solutions which the Government could support.

4.24 To continue to promote Kent's interests, we will:

- Respond to the Highways England Public Information Exercise, with a discussion on our draft response at the Environment and Transport Cabinet Committee on the 13<sup>th</sup> July.
- Work with Highways England to explore all available options for their interim traffic management solution and permanent to Operation Stack to maintain a two-way flow of traffic on the M20 at all times.
- Urge the Government to rapidly progress a permanent solution for Operation Stack, with sufficient lorry parking capacity to tackle the impact of inappropriate lorry parking on Kent's communities.
- Urge the Government to invest in Kent's wider port infrastructure to ensure the county's resilience.

## 5. Security and resilience

5.1 The draft Withdrawal Agreement in March confirmed the UK intends to 'opt-in' on police and justice matters on a third country basis. The future security partnership will be set out in the final Withdrawal Agreement. The UK also has a series of bespoke treaties with France related to security and the management of a shared border which include Le Touquet, the Treaty of Canterbury, and the Sangatte Protocol. The 'Sandhurst Treaty' provided £44m to reinforce security around French channel ports and accommodation facilities outside the Calais and Dunkirk area.

5.2 In June, the Government detailed the Counter-Terrorism and Border Security Bill, which intends to strengthen the UK's defences at the border against all forms of hostile state activity. This includes provisions to enable persons at ports and borders to be questioned for national security and other related purposes, which could compound any Brexit related changes to border and customs checks. Concerns have been raised about losing the ability to share intelligence with EU nations and the possible loss of European Arrest Warrant which allows EU members to request the arrest and detention of criminals in other countries without extradition talks between them. Whilst the UK Government wants to stay part of the system, the EU negotiators have said the UK could not, because of its desire to leave the EU's court and free

movement scheme. The EU would consider setting up a "streamlined" extradition process with the UK instead.

5.3 At a local level, KCC shares information with local, national and international partners on security and public protection issues. The Kent Resilience Forum's (KRF) scenario planning and live exercises with partners, locally and nationally, will inform collective planning for a post-Brexit environment. KRF partners are actively considering potential new border arrangements and the potential traffic congestion that could impact on our emergency response preparedness. It is likely that further emergency planning capacity will be required if additional security checks are introduced, in order to enhance the county's resilience.

5.4 We will continue to work with our national and local partners to protect residents and maximise the county's resilience. We would like to see continued intelligence sharing between local, national and international partners on public protection and security issues. The Government should fully fund any additional public protection resources required to support these new arrangements.

5.5 Work undertaken on security and resilience includes:

- Engagement in the Kent Border Planning Group.
- Information sharing with Kent Police and Kent Joint Chiefs.
- Participating in Kent Resilience Forum scenario planning.

5.6 To continue to promote Kent's interests we will:

- Support the Kent Resilience Forum in its scenario and contingency planning work to ensure a collective response with our partners.
- Lobby for sufficient funding to increase public protection capacity for Kent partners to enhance the county's preparedness and resilience.

## 6. Shared Prosperity Fund

6.1 EU funding supports Kent projects on economic development, trade and investment, rural development, health and social care and the environment. The Government has guaranteed existing EU funded programmes until 2020. However, there is a potential future funding shortfall for local government, which could also impact Small and Medium sized Enterprises (SMEs) and the voluntary and community sector. Whilst the UK's participation in future programmes remains uncertain, it seems likely there will be opportunities to continue to participate in some cross-border collaboration programmes such as Interreg.

- KCC has a target of securing £100m from EU funding for the county between 2014-20.
- 47 projects worth c.£82m had been secured by December 2017.
- There is a potential £8.4bn UK-wide funding gap for local government if EU funded activity is not matched from 2020.



6.2 The UK's 'Shared Prosperity Fund' will replace the European Social Fund and European Regional Development Fund programmes from 2021. The consultation, expected in Autumn 2018, provides an opportunity to lobby for streamlining the decision making processes to access funding. Metropolitan Mayors and Combined Authorities are already developing their narrative for how the fund could be dispersed and managed, with the Ministry for Housing, Communities and Local Government holding informal meetings with Local Enterprise Partnership (LEP) areas, 'core' cities and Combined Authorities. It is important that counties are engaged in this debate, particularly those directly affected by Brexit. We want to influence the design of the fund, in advance of the formal consultation.

6.3 The Government should fully meet immediate direct costs for Kent through a short term direct grant to provide the up-front investment needed to deliver the necessary infrastructure. From 2021, we want the Government to target the Shared Prosperity Fund to mitigate any ongoing direct costs of Brexit and deliver sustainable solutions and further investment in Kent, to ensure the county's resilience.

6.4 We believe the core principles of the Shared Prosperity Fund should include:

- The Shared Prosperity Fund should at least match the same level of EU structural funding as currently received by the UK.
- A top-slice of the Shared Prosperity Fund should be allocated for investment in infrastructure needs and fully meet the ongoing direct costs and impacts of Brexit on local services that are most affected.
- There should be flexibility for the fund to support revenue and capital activity to provide essential infrastructure capacity to enhance resilience.
- The remainder of the fund should be allocated on a fair funding formula, not create a rival bidding process between local areas. This will help to support the delivery of Industrial Strategy priorities across the country and ensure all communities benefit from the UK's exit from the EU.
- Allocations should be fairly distributed between local authority areas, not through Combined Authorities, LEPS, or areas which have historically benefited from a greater proportion of EU regeneration funding.
- How each allocation is spent should be for local determination, by local partners who are closest to their communities, to target where there is greatest need and benefit. This will maximise the impact of the fund right across the country.
- The fund should also support industrial strategy priorities including productivity and skills and compensate for the loss of EU funding on important projects for young people and the environment.

6.5 Work undertaken on Shared Prosperity Fund includes:

- Reports to the Growth, Economic Development and Communities Cabinet Committee on EU funding (June 2017 and January 2018).
- Economic Development division engagement with MHCLG.

6.6 To continue to promote Kent's interests we will:

- Develop a collective lobbying position on the Shared Prosperity Fund with key partners including the Local Government Association, County Councils Network, Kent MPs, District Councils and the Kent Association of Local Councils.
- Write to the Prime Minister setting out our principles and objectives for the use of the Shared Prosperity Fund to meet Kent's direct costs of Brexit.
- Respond to the Shared Prosperity Fund consultation this autumn.

## **7. Economy and Business**

- 7.1 The ability to form new trading relationships could bring positive economic benefits for the UK. However, national economic impact assessments have highlighted that, depending on the nature of the future relationship, Brexit could have macro-economic impacts on inflation and the price of goods and services. In a 'no deal' scenario this could rapidly have an impact on local authorities who have a fixed income and have delivered significant efficiencies at a time of rising demand since 2010.
- 7.2 Feedback gathered from Kent businesses indicates uncertainty about the potential impacts of Brexit which are likely to be complex and vary between different sectors and types of business. The uncertainty is delaying or preventing most businesses from taking steps to prepare for Brexit in some cases, and there have been reports of planned investments in the county being postponed.
- 7.3 Kent's businesses are taking a pragmatic approach with confidence that they will adapt to the post-Brexit conditions when these are known rather than using resources in trying to prepare when things are uncertain. For some businesses there are potential opportunities including changes to regulations that might reduce burdens or potential to form new trade deals. Businesses are well supported to prepare for future changes by their professional networks including Chambers of Commerce and Federation of Small Businesses.
- 7.4 A wide range of research and engagement has been taking place to assess the implications and views of businesses. The main themes highlighted amongst Kent businesses include:
- Welcoming the announcement on 'Settled Status' for EU citizens, which helps to address short-term workforce issues.
  - Highlighting the need for continued access to EU workers post-Brexit to meet longer-term skill gaps including low-skilled manual jobs and high-skilled specialist roles.
  - Support for the Government's intention to introduce a new Seasonal Agricultural Workers scheme to ensure the continued availability of seasonal workers for Kent's rural economy.
  - Positivity about the Government's intended transition period, providing medium-term assurances.
  - Uncertainty around customs arrangements post-Brexit, including potential tariffs, additional border checks on goods and particularly the impact on fresh produce and 'just in time' deliveries. There are also a significant

number of businesses who have never completed a customs declaration before.

7.5 We continue to forge a collaborative relationship with our European neighbours on shared opportunities and cross-border issues. In June, we renewed our relationship with the Hauts-de-France region and held preliminary discussions on potential areas for collaboration such as economic development, tourism and culture. We will work together to consider further opportunities for cross-border working, especially where there is uncertainty about existing EU funding programmes. We welcome the opportunity to progress a joint work programme together, recognising the importance of our partnership adding value by focusing on local issues, beyond the national issues being considered by our respective Governments.

7.6 Work undertaken on Economy and Business includes:

- Commissioning the Kent Business School 'Kent SME Internationalisation Study' in March 2017;
- Participating in a Kent Business School Summit with the Institute of Directors and Federation of Small Businesses in January 2018;
- Participating in a 'Business Soundbites' event focused on trading internationally post-Brexit in March 2018.
- Commissioning a second Kent Business School study on Internationalisation due in Summer 2018.
- Participating in the annual Kent Vision Live event in May 2018, supported by the Chamber of Commerce which included presentations for businesses on preparing for Brexit.
- The Kent and Medway Economic Partnership's Business Advisory Board have recently received reports on potential Brexit impacts and opportunities around inward investment and the tourism industry.
- Kent's inward investment agency Locate in Kent recently surveyed over 100 Kent-based businesses about their views on the impact of Brexit for their business.
- Engaging with Canterbury Christchurch University on their 'Making a Success of Brexit' report in July to December 2016.
- Meeting with Hauts-de-France region to discuss potential cross-border collaboration in June 2018.
- Drawing on national intelligence including from the British Chambers of Commerce (BCC), Federation of Small Businesses (FSB) and Confederation of British Industry (CBI).
- An update on business preparedness for Brexit was considered by the Growth, Economic Development and Communities Cabinet Committee on 3<sup>rd</sup> July 2018.

7.7 To continue to promote Kent's interests we will:

- Work with Kent businesses to build resilience, prepare for new trading arrangements and enhance opportunities to work and trade internationally.
- Explore the potential for Free Trade Zones to facilitate international trade and local economic development.

- Promote co-operation between Kent and European regions in order to support Kent businesses to access European markets and support trade including 3 EU-funded Interreg projects on the theme of European trade.
- Progress a joint work programme with the Hauts-de-France region to support a renewed relationship on shared issues and opportunities.
- Work with the British Embassy in Paris on cross-border projects on business and tourism.
- Facilitate further business conversations to develop Kent's business potential, including through the work of the Kent County Council Chairman.

## 8. Recommendation(s)

### Recommendation(s):

County Council is asked to:

- (1) Endorse** Kent County Council's position as set out in this paper.

## 9. Background Documents

- KCC response to the CLG Select Committee Inquiry into Brexit and Local Government (November 2017).
- KCC response to the Government consultation on '*Future Customs Arrangements, A Future Partnership*' (December 2017).
- EU Funding update to Growth, Economic Development and Communities Cabinet Committee (June 2017 and January 2018).
- Trading Standards update to Growth, Economic Development and Communities Cabinet Committee (March 2018).
- KCC response to the House of Commons Transport Committee Freight and Brexit Inquiry (June 2018).
- Business Preparedness for Brexit update to Growth, Economic Development and Communities Cabinet Committee (July 2018).
- KCC draft response to the Highways England public information exercise to Environment and Transport Cabinet Committee (July 2018).