

CLG Select Committee Inquiry on Brexit and Local Government: Kent County Council response

1. Executive Summary

1.1 Kent is an area of national economic importance with an international outlook. The principle of our response is enhancing the sustainability and resilience of Kent's economy, public services and physical infrastructure as the UK prepares to leave the EU.

1.2 The key messages identified by Kent County Council are:

- Kent's gateway location means that Brexit has the potential for significant impact. With 11,500 freight vehicles passing through our Channel ports each day, the implications of changes to border and customs arrangements are substantial. The Government and the EU must provide urgent clarity on post Brexit arrangements, adequate support to keep trade flowing and transport networks moving and provide protection for vulnerable people including unaccompanied asylum seeking children.
- Kent's considerable strength is our diverse and resilient business base (£550m business rates in 2017/18). Local authorities, working with partners such as the Department for International Trade, are well placed to support businesses to adapt and explore international trading possibilities. However, there must be a nationally resourced campaign to help traders prepare for changes in customs and exports.
- Greater clarity around immigration, employment status for EU nationals and the likely impacts on labour markets would allow the public sector to plan for future workforce needs and support local employers.
- Future legal, financial and policy changes provide an unprecedented opportunity for all local authorities to gain greater control and freedoms to reform public services, improve outcomes for residents and reduce regional disparities. Given greater power and sufficient funding, local government could be the driving force in rebalancing the economy.

2. Kent's Exceptional Issues

2.1 Borders and Customs

2.1.1 As a gateway county, Kent has the UK's busiest roll-on roll-off entry points at Dover and Eurotunnel, in addition to ports at Sheerness and Ramsgate. Dover handles one sixth of the UK's total trade in goods with a value of £119bn per year. Exports through the Channel Tunnel, part of an annual trade worth £91.4bn, support 220,000 British jobs. Together, Dover and Eurotunnel carried 32.6m passengers in 2016, more than the UK's 3rd largest airport.

2.1.2 We urgently require clarity on the UK border and customs position, so that from Day One we can seamlessly support operational changes. The Government's aim of securing an interim implementation period is prudent; changes in borders and customs procedures affects ports and public

services on both sides of the Channel and this period would offer businesses a smooth, orderly transition.

- 2.1.3 A principal concern for Kent is the ability of our ports to cope with the volume of freight and customs if there are changes to the free movement of goods. There is limited inspection space at Dover Docks and none at Eurotunnel. To provide a sense of scale, there are over 100,000 ‘third country’ vehicles subject to UKBF inspections annually at Dover and Eurotunnel; if all importing vehicles are subject to inspection post Brexit, this could increase to 2m vehicles.
- 2.1.4 As a Market Surveillance Authority, we play an important role in protecting the quality of products and safe routes to market through RAMS (EU Regulation 765/2008 for Accreditation and Market Surveillance). We strongly urge the Government to clarify future domestic legislation, including a potential replacement for RAMS. Without this we risk significant additional costs for processing, storage, testing and legal proceedings. It is important to clarify the future status of notified bodies and funding for UK test labs/houses so their expert services continue to benefit UK manufacturers and exporters. This could also enable income generation opportunities for Kent Scientific Services.
- 2.1.5 Protecting the quality of food imports is an important issue, with 27% of vehicles (1,500 a day) coming into the Channel ports carrying food or feed. A change in controls could equate to 1,000 vehicle inspections a day – even based on current arrangements an additional 500 loads a day would require food inspection checks.
- 2.1.6 Any change in processes would create capacity demands on public protection services and place pressure on Kent’s transport network. Government needs to provide sufficient investment to maintain the resilience of Kent’s infrastructure, including enhancing inspection facilities (the last inspection took place in 1992). This would empower local authorities with streamlined, efficient controls and facilities to support effective customs solutions.
- 2.1.7 Viable regulatory solutions in other countries could be adapted and, with sufficient forewarning and resources (e.g. manifest schedules and Port Inspection Teams), Kent’s entry points could develop an efficient new regime to reflect the unique demands of Dover. It is essential Government engages effectively with local government, sector bodies (including the Kent Strategic Freight Group), and European partners to address concerns and develop solutions.
- 2.1.8 We want to continue to work with national partners (e.g. UK Border Force and HMRC) towards collective solutions for these complex issues. We strongly urge the Government to consider the operational impacts in our response to “*Future Customs Arrangements, A Future Partnership Paper*”.

In summary, we believe the Government should:

- Urgently clarify the UK border and customs position and ensure that any infrastructure and capacity improvements are adequately funded.

- Engage more broadly to explore collaborative transport and customs solutions, including through the HMRC and DExEU working groups.
- Provide certainty on a potential replacement for RAMS and clarify the future status of notified bodies.
- Consider the operational impacts in KCC's response to "Future Customs Arrangements, A Future Partnership Paper".

2.2 *Transport and Physical Infrastructure Capacity*

- 2.2.1 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.
- 2.2.2 The timely provision of necessary infrastructure is critical to increasing competitiveness and productivity. A smart, resilient transport network is required to accommodate rising international freight across Kent, 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 Dover.
- 2.2.3 Freight and vehicle fluidity is essential for the business models of Dover and Eurotunnel. Insufficient transport infrastructure to respond to changing border arrangements puts our economy at risk; we cannot afford the disruption of Operation Stack with daily costs estimated to be £1.45m to Kent and Medway's economy and £250m to the UK economy.
- 2.2.4 Using the Stanford West M20 Lorry Area to provide vital additional capacity for 3,600 vehicles would reduce the need for Operation Stack and could support a smooth, efficient transition for customs clearance. However, the project is currently delayed due to Judicial Review and for it to be fully utilised as a modern customs clearance facility, it needs to be delivered by 2019.
- 2.2.5 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 resilience.

We believe the Government should:

- Commit to and accelerate the delivery of vital infrastructure investment, including the M20 Lorry Area and enhancements to transport networks.

2.3 *Collaborative Cross-Border Working*

- 2.3.1 A key consideration for Kent is upholding the UK's collaborative border relationship with France under the Treaty of Canterbury, Le Touquet Agreement and the Sangatte Protocol. We urge 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 protection. It is important that relationships and systems for timely intelligence sharing are maintained to protect the UK's resilience.

We believe the Government should:

- Uphold the Treaty of Canterbury, Le Touquet agreement and the Sangatte Protocol, continuing to work collaboratively with the French authorities on security, resilience and public protection.

2.4 Unaccompanied Asylum Seeking Children (UASC)

- 2.4.1 It is vital to maintain our bespoke collaboration with France to manage the movement of vulnerable people. The UK continues to be an immense draw for displaced young people, some of whom may be at risk of radicalisation. Although our partnership arrangements are managing demand, on average we still receive around 6-8 UASC a week. If this increased we could face similar operational and financial pressures as experienced in June 2016 with a peak of 1,422 UASC. Kent's UASC services are already under severe financial pressures (currently £4.9m) and our current reception centre provision is unsustainable. This could be compounded by future changes to our responsibilities for care leavers, of which 814 were UASC in September 2017.
- 2.4.2 We have worked with the Home Office and Department for Education to influence the National Transfer Scheme. However operating on a voluntary basis creates difficulties, building service and resource pressure on gateway authorities. For example, 35 cases are currently awaiting dispersal. We strongly urge the Government to introduce a mandatory transfer scheme, to ensure effective collaboration, balance financial and operational risk and swiftly secure sustainable UASC placements.

We believe the Government should:

- Ensure adequate funding for a sustainable reception centre model for UASC.
- Create mandatory status for the National Transfer Scheme, to ensure local authorities effectively co-operate on any additional demand from vulnerable young people.
- Create a sustainable grant regime for care leavers, without which the National Transfer Scheme will simply not work.

3. Core Issues

3.1 *Financial and Commissioning Implications*

- 3.1.1 KCC commissions over 70% of our services (c. £1.2bn annual spend), so would be affected by additional financial pressures as a result of changes to the prices of goods, tariffs, inflation, interest rates and sterling value. We are already seeing evidence of rising costs and markets pricing for uncertainty.

For example, 22% increases from Microsoft (due to the £/\$ exchange rate) and price increases for ICT hardware. More broadly, any economic impact has implications for mortgage affordability, house prices and could ultimately reduce the value of our capital disposals.

- 3.1.2 Rising costs could impact essential capital infrastructure projects, with 62% of building materials in the construction trade coming from the EU, or our tendering of major contracts (e.g. Waste and Total Facilities Management). We urge Government to expand its engagement with local authorities when considering the implications of trade deals and tariffs.
- 3.1.3 KCC's Cloud Infrastructure is located in Amsterdam and Dublin. We encourage Government to consider any impact on the use of EU datacentres and future legislation for the storage of UK Public Sector Data. If necessary this could migrate to the UK bringing enhanced employment opportunities and economic benefits, however this would also have cost and development impacts.

3.2 Business Readiness

- 3.2.1 Kent's 58,940 businesses are dominated by micro enterprises (89.5%) in addition to several large employers, including Eurotunnel which contributes 2.5% of Kent's business rates. Around 6,000 Kent based companies export goods or services, employing 60,000 people, in addition to legal, insurance, marketing and logistics jobs that support international trade.
- 3.2.2 There is a real opportunity for local authorities to facilitate international trading possibilities, thanks to long established European and international partnerships. There must be a nationally resourced campaign to help traders prepare for new market opportunities, with local authorities actively supporting the business community in changes to customs, exports and public protection standards.
- 3.2.3 The Government must reassure businesses that Brexit will not mean additional trade and regulatory requirements that could become prohibitive and risk businesses who have specifically located in Kent for our cross-Channel connections relocating.
- 3.2.4 We need clarity on the financial support that will be offered to businesses that invest and re-invest in the UK and improved business support to meet the needs of all businesses. There should be a clear sign that inward investment is 'joined up' and not creating competition between areas.
- 3.2.5 There is an opportunity to promote Kent as 'open for businesses' and grow our tourism industry, taking advantage of exchange rate changes.

We believe the Government should:

- Support local authorities to provide proactive advice to Kent businesses so they are ready for regulatory changes, resilient and prepared to take advantage of new trading opportunities.

3.3 *EU funding*

- 3.3.1 EU funding has supported Kent's growth, resourcing projects in economic development, skills, research, affordable energy, health and the environment. By May 2017, KCC had secured or supported 35 projects worth £65m in European grants, structural investment funds and Interreg programmes. Since 2014, over £200m of EU grants and loans have come into Kent-based organisations.
- 3.3.2 Brexit creates a unique opportunity for a streamlined model to replace EU funding and support growth based on local determination, whilst continuing partner co-operation on cross-border issues and maintaining critical trade relationships. Local areas must be given the freedom to target the Shared Prosperity Fund at projects that maximise benefits for communities and demonstrate clear returns on investment. The charitable sector have proposed the successor to the European Social Fund could better target investment in vulnerable groups, employment and training, improve the scheme's design and remove bureaucracy.
- 3.3.3 We support the LGA's '[Beyond Brexit](#)' principles for a successor to the EU funding model, eliminating bureaucracy, integrating funding streams and enhancing accessibility of collaborative programmes. Funding must be at least equal in value to what it replaces, apportioned on a fairer method between localities and distributed on a long-term basis. Government should provide greater confidence for project continuity by confirming funds guaranteed to 2020 and clarity on the future approach.

We believe the Government should:

- Develop a streamlined and effective alternative to domestic EU funding programmes, based on local determination so projects can be better targeted to local need.
- Provide clarity on a sustainable domestic equivalent for EU funded skills and environment projects, so we can support growth of key sectors and protect our natural environment.
- Ensure that UK organisations still have access to co-operation funding programmes to support innovation and cross border issues.

3.4 *Environment*

- 3.4.1 With energy efficiency a key priority for the UK, we must continue to support Kent's growing low carbon industry. It is important that future standards and regulations do not leave Kent businesses at a disadvantage with EU competitors. Cross-border environment issues, including climate change, air and water quality, need collaborative solutions and it is important that post Brexit environmental and waste legislation remain at the same standards, if not higher. There is an opportunity to reduce implementation burdens of current legislation, using partner consultation to create workable solutions whilst maintaining protection.

3.5 Workforce and labour markets

- 3.5.1 66,000 people living in Kent have an EU (non UK) country of birth (in 2016, based on ONS estimates), with EU Workers making up a significant proportion of the migrant workforce. There were 13,881 National Insurance Numbers to Overseas Workers (NINOs) allocated in Kent in the year following the referendum. KCC's briefing '*Migrant workers in Kent*' (September 2017) illustrated the Kent industries which may see greater impact if overseas worker migration was restricted, including wholesale and retail trade, agriculture and construction.
- 3.5.2 The current uncertainty about the employment/immigration status of the workforce and paucity of information available at a regional or local level about the impact on labour markets, affects the ability of local authorities and businesses to plan effectively. There is anecdotal evidence that uncertainty is already impacting the construction and social care sectors in Kent.

3.6 Health and Social Care Market and Workforce

- 3.6.1 We have a statutory duty to ensure the sufficiency of Kent's care market, so market sustainability is a particular concern due to significant financial and demand pressures. The scale of the adult social care workforce in Kent is particularly substantial, with an estimated 40,300 jobs. EU nationals form an important element of this workforce and the number of non-EU nationals working in social care has decreased nationally by 4% from 2012/13 to 2016/17 (pre-Brexit). Any future workforce trends will need to be closely monitored.
- 3.6.2 Any economic impacts on the cost of living may further impact on the sustainability of some providers and their ability to recruit and retain. There also remain particular issues about recruitment and retention for highly skilled roles including nurses, social workers and GP's. In order to pursue 'sustainable' market-management policies and proactively respond to skills gaps, the potential impacts of Brexit on vital sections of the workforce need to be mitigated.

3.7 Seasonal workers in agriculture

- 3.7.1 Farming is worth £5.4bn to Kent's economy with an estimated 20,000 seasonal agricultural workers employed in Kent. Uncertainty about changes to immigration is already having an impact on seasonal workers' intentions to return for work in Kent farms next year. The introduction of a new seasonal workers scheme would enable the UK to import the necessary skills and labour that cannot be filled by local unemployment. This could work in a similar way to the Seasonal Agricultural Workers Scheme (SAWS) which had robust entry and exit checks and meant SAWS workers did not count towards immigration figures. Providing a commitment to introduce this kind of scheme on a local/regional basis could mitigate the current uncertainty. We are eager to work with the Home Office, the Migration Advisory Committee, the SAWS Transition group and local businesses to explore options to introduce a new scheme.

We believe the Government should:

- Clarify the employment status of EU nationals and migrant workers, with local employment data to support workforce planning for key sectors, particularly health, social care and construction.
- Reintroduce a modernized Seasonal Agricultural Workers Scheme (SAWS) to support the rural economy while controlling migration flows.
- Uphold standards to protect employment rights, but consider adaptations for some employment regulations to provide greater flexibility for employers.
- Create a national workforce strategy that identifies and matches skills across the economy and increases the supply of domestic applicants.
- Create flexibility in the apprenticeship levy rules to optimise employer investment in skills and to help local authorities support sectors where there are supply issues.

4. The role of local government post Brexit

4.1 *Sustainable public services*

4.1.1 The Government's focus on Brexit has dominated civil service capacity and the legislative agenda. It is critical that central government works with local government to address significant local, regional and national challenges alongside the Brexit negotiations in order to safeguard the sustainability of public services in the future.

4.2 *Shaping future regulatory and legislative change*

4.2.1 Future legal, fiscal and policy changes must be converted into meaningful opportunities to reform our public services, improving outcomes for residents and reducing regional disparities. The future review of UK laws of EU origin must be informed by their real world impact and lead to new legislative freedoms and flexibilities for councils so that local communities, businesses and consumers can benefit. There should be a principle of subsidiarity for greater devolution of core functions and services to counties, beyond the Devolved regions, City regions and Mayoral Combined Authorities.

4.3 *Sharing economic benefits of growth and prosperity*

4.3.1 A key message from the referendum vote was a desire for a more equal distribution of economic benefits beyond London and major cities. Given greater power and sufficient funding, local government and our partners could be the driving force in rebalancing the economy through locally delivering Industrial Strategies. The Government should not undervalue the integral role of local government in promoting growth and, in the case of Kent, the strategic importance of our geographical location and local intelligence. We have strong specialist skills in engaging with and supporting businesses, facilitating skills development, delivering key infrastructure and promoting trade and investment.

5. **Conclusion**

- 5.1 We are pleased that the CLG Select Committee is looking at the risks and opportunities for local government posed by Brexit and the role of local government post-Brexit. We are eager to work with government to collectively respond to the areas highlighted in our submission and would be happy to provide further information.