

SEEC workshop - Brexit: Practical impacts for the South East

31 January 2019

Morning Session: BREXIT: SKILLS AND THE SOUTH EAST ECONOMY

Opening the workshop, SEEC Chairman Cllr Roy Perry gave an overview of the importance of the South East as a strong economic performer and a gateway for trade with Europe.

South East ports such as Dover, Southampton and Portsmouth trade daily with Europe. The South East economy is also crucial to the Exchequer as one of only three areas of the UK that pay more in taxes than they receive in public spending.

Both these South East roles need to be protected before and after Brexit as the potential risk to the UK if trade is affected is significant. However, to do this local authorities and business will need more certainty over skills, infrastructure investment and the plans to replace EU grants with a UK Shared Prosperity Fund.

Cllr Kevin Bentley, Chair of the LGA's Brexit taskforce gave an overview of work on Brexit to date. The group is neutral on pros and cons of Brexit, concentrating solely on the practicalities of preparation for different scenarios. With lack of consensus in Parliament, the group has been asked to increase preparation for a no deal Brexit. Cllr Bentley recommended every council should establish a Brexit group to co-ordinate planning. He added:

- The voice of local government on the taskforce carries weight, as most laws from the EU are enacted on a local level rather than central.
- Taskforce successes include an additional £20 million for local government (on top of £36m already pledged). Allocations have been made per council to contribute to tasks such as retraining staff to manage new systems post Brexit – for example in trading standards or environmental health. The money can be pooled with neighbouring councils. Government has also committed to fund the remaining year of EU structural funds for live projects until the current cycle of funding closes in 2020.
- He encouraged local authorities to feed into the forthcoming consultation on the UK Shared Prosperity Fund to ensure council interests are represented.
- The taskforce has raised concerns about the impact the new Immigration White Paper might have on sectors reliant on migrant skills such as care, NHS and hospitality, where many salaries are below the £30,000 threshold for entry to the UK. The EU Settled Status scheme has been welcomed but there will continue to be a need for skilled migrants who may not have 5 years' residency.
- An additional concern could be a flow of returning UK nationals who have been living in Europe, with possible implications for local authority care demands.
- A [Brexit hub on the LGA website](#) has been created as a one stop shop to assist local authorities with queries.

Answering member questions Cllr Bentley highlighted:

- The need for greater planning for a no-deal Brexit. Although there are plans in hand for Kent, more preparation is needed for other ports.
- Delays in import/ export permits are likely to be more of an issue at roll-on roll-off ports like Dover where the transit time is short. With longer transit times, permits could be processed en route.

Rob McNeil, Deputy Director of Oxford University's Migration Observatory [illustrated the scale of migrant labour in the South East and potential implications of Brexit and the Immigration White Paper](#). He said:

- The South East is home to 1.2m foreign born nationals, nearly 13.5% of the population.
- Since the Brexit referendum numbers of EU migrants have continued to rise but these are from 'EU 14' countries who were EU members prior to 2004. Migrants from countries which joined later (EU 8) and Romania and Bulgaria (EU 2) have levelled off or started to decline.

- Health and social work is largest single employer of non-UK workers in the South East (120,000, making up 22% of sector's labour force). However, only 7% of the 22% are EU born.
- Other sectors heavily dependent on EU labour are hospitality (13% of workers) and manufacturing (10%).
- Agriculture also relies heavily on EU workers but as many are seasonal, they are not captured in the official statistics. However, hectares planted of some crops have increased dramatically since EU8 accession. This business model of using cheap labour is likely to be affected by Brexit if there are fewer EU agricultural workers.
- The Immigration White Paper is likely to replace Seasonal Agricultural Worker visas with temporary workers who come to the UK for less than a year. This will increase resident 'churn' for local authorities and may impact on integration and community participation.
- The White Paper's £30,000 pa income requirement for entry to the UK is likely to impact on the South East labour force as 70% of migrant workers earn less than this.

Gillian Keegan, Chichester MP and Co-Chair APPG on Apprenticeships outlined how apprenticeships can be a solution to any skills-employment gap post Brexit. Key points included:

- Councils can play a key role in driving the local economy if they help industry by setting aside economic land and encourage local businesses to offer high quality apprenticeships.
- High level apprenticeships can be superior to degrees and can lead to higher earnings. A high quality apprenticeship can blend practical experience with a degree and offer a salary along the way.
- Apprenticeships are often pitched as vocations which brings with it a restrictive image of the kind of jobs that an apprenticeship leads to. This needs to be overhauled. To improve the image of apprenticeships, poor quality options must be stamped out as they must not be an excuse for cheap labour.
- There is also a need to reduce competition for students between apprenticeships, sixth form colleges and universities. College targets are driven by revenue per student and places achieved at university rather than what is right for the student.
- The Higher Education commission has a [report on Higher Apprenticeships](#) detailing how degree level apprenticeships can be improved.

In Q&A points included:

- Most councils are struggling to spend the apprenticeship levy so more flexibility in how to use the levy would be welcome.
- Education Secretary Damien Hinds is looking to address the reluctance of schools to promote apprenticeships.
- The role of LEPs in promoting apprenticeships varies and LEPs are not widely known outside public sector circles.
- Germany's success attracting students to undertake higher apprenticeships was driven by a preference amongst employers to hire students who had undertaken apprenticeships rather than degrees.

Afternoon Session: ECONOMIC AND PUBLIC SERVICE CONTINUITY POST-BREXIT

Alastair Welch, Director, Port of Southampton explained that 95% of British trade by weight goes by sea, with Southampton as the UK's biggest export port. He [gave an overview](#) of how each of the port's 4 main trades were likely to be affected by Brexit.

1. Automotive - Southampton is the global gateway for the automotive industry with cars destined for the European or African markets all docking in Southampton first. This trade could be affected by Brexit as several automotive companies are considering moving operations outside the UK.
2. Containers - 95% of containers arriving into the UK are not from the EU. Southampton is therefore experienced in handling non-EU import and export procedures and this trade will continue regardless of Brexit.

3. Cruise ships - Southampton is the biggest turn around port for cruises in the UK. This trade has expanded dramatically in recent years and is likely to continue to grow post Brexit with each ship in port bringing in an estimated £2.5m into the local economy. All passenger passports are checked as a matter of course so this will not change post-Brexit. However, the future challenge is space - as cruise ships continue to grow, more space will be needed to accommodate larger ships.
 4. Commodities - this trade is less dominant than the previous three but ever growing.
- As a large amount of Southampton's trade is non-EU, there is limited concern about changing controls. Most goods are unloaded using machinery (Lift-on Lift-off - LOLO) so traffic entering the port is already heavily regulated with loading times set in advance. Modelling in Southampton does not yet indicate that Brexit will have significant impacts on local roads. Southampton could help relieve post-Brexit problems by handling more imports using container ships.
 - In contrast, Dover cannot plan to the same extent as its Roll-on Roll-off trade is a more turn-up-and-go arrangement. It is possible that Brexit will lead to an increase in LO-LO freight.

Mike Whiting, Kent CC Cabinet Member for Planning, Highways, Transport & Waste [gave an overview of how Kent could be affected by a no deal Brexit](#). He said:

- Kent CC has received £29m from government to help prepare for queues on the roads caused by increased controls and security checks under World Trade Organisation rules if there is a no deal Brexit. In contrast Hampshire has received £180,000.
- The council has been asked to prepare for up to 3-6 months' disruption. The impact of this on the economy would be substantial as 30 day delays in 2015 cost the UK £250 million a day in trade and earnings. 68% of the UK's accompanied freight goes through the Dover straights (Dover and Folkestone). There are some 22m passengers a year and 4.3m lorries.
- If new border checks take 3 minutes per person, a coach with 30 passengers would be delayed by an hour and a half. If Dover port shut for 24 hours this could cause a 100 mile queue.
- Operation Brock allows for 20,000 lorries to be parked across Kent to minimise road congestion and keep the M20 open. However, there are concerns about compliance as previous experience showed 30% of drivers didn't follow parking instructions.
- Extra staff and training would be needed to handle an increase from 100,000 trading standard checks a year on non-EU imports and exports to some 2m a year if there is a no deal Brexit.

Ian Hoults, Head of Emergency Planning, Hampshire CC gave an overview of points to consider in local authority preparations for Brexit. He explained the emergency planning task is not 'project fear' – it is to be prepared for all eventualities in case there is a no deal Brexit. Councils should have access to national planning assumptions to consider alongside local context. The focus is on managing any risks to the local economy and disruption to normal life. To do this, local authorities need to work as part of multi-agency partnerships to manage and mitigate any risks.

In Q&A points raised included:

- Concern about serious congestion if lorry drivers ignore plans in place to manage traffic and queuing. Parliamentary time devoted to Brexit means there has not been the opportunity to introduce legislation to make compliance with the rules statutory.
- Brexit is shortly before school Easter holidays when volumes of traffic are high, so plans may be needed to cater for welfare of tourists if there are delays.
- Partner ports in France are willing to work with the UK and there is contingency planning, but capacity may be a problem.

Roundtable debates gave delegates the opportunity to discuss key issues and uncertainties in their areas. Main themes raised included:

1. Uncertainty. Many local authorities felt they were not getting the full information needed to undertake adequate planning around Brexit.

2. Potential shortage of EU migrant labour. The South East has significant numbers of EU staff in sectors such as care, hospitality, construction and agriculture. More information is needed on this, such as local research on skills gaps.
3. Proper enforcement on the roads in case of congestion is vital.
4. Replacing EU grants is important to ensure there is continued investment in South East projects.

Laura Parker-Tong, Department for Business, Energy & Industrial Strategy and Louis Mayhew, Ministry of Housing, Communities & Local Government [outlined current thinking about the emerging UK Shared Prosperity Fund](#). Key points included:

- The Shared Prosperity Fund is an England-wide, joint MHCLG and DBEIS initiative established to replace the loss of funding from EU Structural Funds. The Fund guarantees the continuation of existing EU Structural fund projects until 2020.
- Fund investment priorities will align with the 2017 Industrial Strategy White Paper. There is the opportunity to shape the Fund to reflect local priorities and consultation is expected to begin shortly.
- 500 organisations who currently receive EU structural funds attended workshops to discuss design of the new Fund. These included local authorities, LEPs, business, universities, colleges, rural interest groups and the community and voluntary sector.
- Feedback has stressed a desire for simplified bureaucracy, avoiding multiple layers of audit, offering longer duration of funding and outcome-led evaluation.
- Key messages from the South East included the need for better methods to engage and incentivise SMEs and to avoid duplication of projects.

In Q&A points raised included:

- SEEC could help organise a South East event to input to the forthcoming consultation.
- The focus needs to be wider than the impact on cities which often dominate funding debates.
- EU funds are not just for less privileged areas but are also used to fund science and innovation, which are needed if the South East is to remain competitive.