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Title of meeting: Cabinet

Subject: Port Health Readiness - Delivery of Official Controls

Date of meeting: 27th July 2021

Report by: Richard Lee, Regulatory Services Manager

Wards affected: All

1. Requested by Councillor Dave Ashmore, Cabinet Member for Community Safety & Environment

2. Purpose

2.1. To provide the Cabinet information on the:

- responsibilities of Regulatory Services as the Port Health Authority (PHA) in respect to delivering *official controls* on various food products entering the Portsmouth International Port (PIP) following the UK's exit from the EU.
- challenges faced by the PHA in respect to achieving operational border readiness in compliance with the UK Government's prescriptive timetable.

3. Introduction

3.1. The requirement for new UK Border Control Posts (BCPs) was announced in 2020 by the UK Government. A package of financial assistance was provided to Port Operators tasked with building the necessary multi-million-pound port BCP infrastructure by 1st January 2022.

3.2. The development of the BCP is being delivered by the PIP team and is scheduled to be completed by the end of November 2021. The design and size of the BCP must meet exacting minimum statutory requirements which have been calculated through predictions of importation levels, product types and the funding available.

3.3. Currently there are approximately 20 seaport BCPs and 10 airport BCPs in the UK, many of which are also developing their facilities to ensure the forthcoming official border controls can be delivered. Failure to develop and competently staff these BCPs will result in the importation of goods requiring checks being suspended or delayed at the point of entry. In this regard, the UK Government have raised concerns about the possibility of

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food supplies being compromised if there is UK-wide disruption to the checking and release of food consignments.

4. PHA responsibilities

4.1. As PHAs, Portsmouth City Council (PCC) is legally responsible for undertaking checks upon certain high-risk food and feed products, and live animals (if imported), as they enter the PIP. Currently, the most important of these are Sanitary and Phytosanitary (SPS) checks.

4.2. PCC works with other agencies such as Animal Plant Health Agency, Border Force and other PHAs to ensure food consignments are efficiently transited and unsatisfactory consignments are traced, intercepted, and detained.

5. SPS checks

5.1. The import and export of live animals, products of animal origin, some plants and other agri-food products will be subject to additional checks at PIP BCP to ensure they comply with food safety and biosecurity regulations. This is because these products could pose a risk to public, animal or plant health.

5.2. SPS measures include pre-notification to PHAs before goods are imported (via the Import of Products Animals, Food and Feed Systems (IPAFFS) system in the UK and the Trade Control and Export System (TRACES) in the EU, and need to move through a BCP equipped and resourced to handle the specific goods imported. At our BCP, goods may be subject to:

- **100% Documentary checks** (to ensure the goods have the correct paperwork, such as an health certification for animals and animal products, a phytosanitary certificate for some plants and plant products and a catch certificate for fish and fish products)
- **Identity checks** (to ensure the goods presented match those on the documentation)
- **Physical checks** (to ensure the goods comply with SPS rules). The rates of physical inspections vary by product.

6. Timetable for checks

6.1. *From October 2021:* Imports of products of animal origin and high-risk food not of animal origin will require pre-notification to the PHA via IPAFFS and must have correct health certification - all documents must be checked, verified and approved. *From January 2022:* Additionally, most products will be subject to identification and physical checks. *These timelines were deferred earlier this year from April 2021 and July 2021 respectively.*

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7. Process

7.1. The government have published the processes for controlled commodities which the PHA have a responsibility to deliver. These are in part outlined in the Border Operating Model. Portsmouth PHA is required to design operational effectiveness processes to deliver the SPS checks to ensure compliance with the government's auditable statutory requirements. This is a significant challenge, as obviously, this is the first time these checks have been necessary via the roll-on roll-off operations at the PIP.

8. Estimating demand for official controls

8.1. Initial calculations made by the UK Government in late 2020 in respect to the importation of consignments through the PIP indicated that a minimum of 35 new staff were required to enable delivery of the required PHA official controls 365 / 24hr.

8.2. The operational need for a continuous service is being assessed, however, the most recent estimations suggest that these calculations may be only 50% of what is actually arriving at the PIP and therefore the demand upon the PHA may be far higher than expected.

8.3. Future import levels are however currently uncertain which is highly significant as all processes including service delivery models and financial appraisals are based upon the predicted demand for official controls created by the number / quantity of goods being imported. Some limited data in respect to manifested imports is being collated. Current conservative predictions are that the PHA will be responsible for >10,000 consignments checks / controls entering the port each year.

9. People

9.1. Since November 2020 the PHA have been implementing a significant recruitment process which will double the size of the existing Regulatory Services team - potentially swelling the staffing cohort from approximately 30 to 65 FTE. This process has been extremely time consuming and is significantly impacting upon business as usual resourcing needs and service delivery.

9.2. The existing management team is attempting to absorb these and all other PHA functions / planning into their existing roles. We know that the specialist qualified officers demanded by the government are extremely difficult to recruit, however, conversations in respect to the qualification / competency of officers is becoming clearer and we are hopeful of further beneficial progress on this matter shortly. A new statutory competency framework for officers delivering official food controls was introduced in March 2021 by the Food Standards Agency which will form the basis of competency assessments for port staff moving forwards.

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9.3. Approximately 20 of the new cohort are inexperienced officers with no knowledge of SPS checks and the delivery of such. All staff will require substantial training once the operational delivery mechanisms have been designed by the UK Government. The necessary qualified officers, such as official veterinarians, will also require development and conversion training, as whilst they may have been familiar with previous export controls they will not be cognisant of the new import delivery regulations required by the government.

10. Place

10.1. It is clear that animal and fish products (live, hanging meats, chilled / frozen / ambient), allergens, pesticides, plant health etc. will all have specific facility needs. Many of these are included within the design specifications of the BCP, however, a degree of uncertainty remains and concerns are being discussed as to whether the BCP will be able to accommodate all necessary requirements. The statutory minimum requirements relating to the design of the BCP infrastructure have however been met and are awaiting sign off by the government before the building becomes operational.

10.2. Various working arrangements require formulation locally as to how the various regulators share the BCP facilities and how thereafter these are managed. After taking occupancy of the BCP we conservatively estimate that it will take 12 months before the PHA will reach reasonable levels of operational effectiveness.

11. Products & Systems

11.1. We have an awareness of IPAFFS, however, this will require significant additional training before we feel confident with its use. The government's IPAFFS delivery team are currently designing the system and thereafter the training materials which, once published, we will have to familiarise ourselves with.

11.2. Currently we remain concerned that IPAFFS has limited facility for organic products or fish catch certificates which we will have to compensate for. The system in place of TRACES involves manual documentary checks in the interim which is also resulting in readiness delays. Additionally, we do not have access to other systems containing consignment information complicating demand and operational need calculations. Unfortunately, we are aware that IPAFFS will not currently connect to our PCC Uniform IDOX database and therefore manual input will be required until this is resolved. The PCC IT team are aware that until this is resolved financial management of the PHA will be compromised.

12. Finance

12.1. In October 2020 the government provided the PHA £477k for staffing in the first 3 months of 2021. This equates to an estimated PHA staffing cost of £2million per annum.

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We remain in regular discussions with the UK Government's Home Office and Cabinet Office officials in respect to the likely costs of staffing during 21/22 and we are seeking assurances that they will pay for these costs during the 21/22 period - i.e. until the BCP is fully operational. Additionally, we are seeking supplementary funding for delays in delivering these checks as a result of the revised timetable detailed by the government at the beginning of this calendar year (*referenced in Section 6.1*).

12.2. PHA financial scrutiny is paramount, as the expectations of the government are that operational costs, from 1st April 2022, will be met through a charging mechanism (invoicing agents for the delivery of SPS controls) based on a full cost recovery model. Staffing costs are likely to increase further if a 365 24/7 operation is required.

12.3. Reference to the calculation of importation demand is particularly relevant to this process and the financial security of the PHA moving forward. A fee and charging mechanism is being designed in line with those delivered by other UK BCPs to recover costs from the delivery of the official controls. There remains, however, some significant doubt that these mechanisms will recover sufficient costs as a result of the uncertainties of the demand for official controls.

12.4. The government have requested information to enable an estimate of our additional funding bid to deliver these new responsibilities during 21/22. This has been submitted. In summary, they consist of the previous funding provided (20/21), minus staffing costs (21/22), plus predicted income (21/22) resulting in a bid estimate of 21/22 of approximately £385k.

12.5. Income generation through fees and charges, as previously mentioned, are "*best guesses*" at this point in time due to remaining and ongoing uncertainties in respect to the demand for official controls. The current calculations suggest that an income of £293.5k is possible in 21/22.

12.6. Early approximate (as many variables are in play) assessments suggest that our income levels per year, from 22/23, may be in the region of £600k whilst operational costs (mainly staffing) are likely to be approximately £1.6million, therefore resulting in a £1million predicted shortfall. Whilst significant uncertainties are in play, this provides an early narrative of the magnitude of the financial challenges which are likely in the future assuming, of course, that income levels and staff resource need remain static and are as currently predicted.

12.7. Concerns have been communicated in respect to increasing fees and charges to recover all PCC PHA costs, as increasing costs significantly above those charged by other BCP's will create an un-level playing field and may encourage agents to import via a more financially attractive BCP facility, ultimately reducing the viability of the PIP.

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12.8. We are continuing to discuss our future funding needs with the government for these services as the demand for chargeable controls becomes clearer. Currently, from our dialog to date, it is far too early to determine whether future shortfalls incurred whilst providing these official border controls will be financed by the government beyond 22/23.

12.9. Our income predictions will become more accurate as importation levels become clearer, as:

- we begin to have better sight of IPAFFS.
- we further develop our charging mechanism in line with the other PHAs.
- the official control regime formally begins (1st October and 1st January) and import / export levels can be tracked and predicted with greater accuracy.

13. Financial summary and recommendation

13.1. This report acknowledges that, at this time, there are several unknowns around the ongoing financial impact of this activity. The net shortfall for 21/22 is estimated at £385k and a submission to DEFRA for funding has been made. An indicative shortfall of £1million per annum from 22/23 is based on current estimates of required staffing levels, traffic volumes and potential charging rates. Therefore a further report will be brought back to members when more information is available regarding the ongoing financial impact and the options / proposals for meeting any shortfall are identified.

14. Conclusions

14.1. Whilst significant challenges and levels of service development need to be overcome and delivered prior to the 1st October, 1st January and for many months thereafter, we remain committed and optimistic in respect to our direction of travel towards PHA operational readiness.

14.2. Our current predictions of readiness are regularly being discussed and assessed by a wide range of UK Government departments, including the Border & Protocol Delivery Group and the UK PHA working group. Significant and sustained progress has been made over the last 7 months and we are confident that continued advancement can be achieved.

14.3. Whilst we remain positive, the complexity of the challenges we, along with many other UK BCPs, are facing should not be underestimated. The financial security of the Portsmouth PHA is questionable at best at this point in time and the certainty of full readiness in line with the government's expectations currently remains unclear.

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Signed by (Director)

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Appendices:**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Border Operating Model	<u>The Border Operating Model - GOV.UK (www.gov.uk)</u>