



National Audit Office

Report

by the Comptroller
and Auditor General

The UK border

Issues and challenges for
government's management of the
border in light of the UK's planned
departure from the European Union

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Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

19 October 2017

Border management is fundamentally important to national security, effective trade, tourism, well-managed migration, healthy communities and the environment.

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Foreword

This publication draws on our audits of government's management of the UK border. It provides Parliament with insights on the issues and challenges of managing the border.

It raises specific challenges for border management that could arise as the UK prepares to leave the European Union (EU) in 2019. It does not seek to evaluate the government's progress in preparing for EU Exit.

What does this publication include?

In this publication we set out how government works at the border and our views on the challenges that it needs to tackle to manage the border effectively.

There are four parts to this publication.

Part One describes the UK's border. We show that the border is a complex concept and is more than the traditional line on a map. We also show that the border can be crossed at many locations, and under a wide array of circumstances.

Part Two sets out the main organisations and activities involved in border management. We describe government's overarching goals for border management and set out high level process flows.

Part Three brings together our view of the issues and challenges to consider in managing the border.

To inform this part, we reviewed previous reports written by the National Audit Office (NAO) dating back to 2001 and synthesised relevant findings.

Part Four looks ahead to the UK's departure from the EU and sets out some key implications for government. We highlight existing challenges to border management and describe a number of existing border-related programmes. We then look ahead to the implications for border management that might arise from the UK's departure from the European Union.

Executive summary

Border management is fundamentally important to national security, effective trade, tourism, well-managed migration, healthy communities and the environment. How well the government manages the UK's border is seen as an important test of the success of the UK's transition to a new relationship with Europe and the rest of the world after it leaves the European Union (EU) in March 2019. It is in this context that we have produced this publication.

Issues in border management

As government's auditors, we have set out the findings of our previous work to help inform Parliament and key stakeholders. We have reported on a number of long-standing issues in border management that could create challenges as the UK leaves the EU.

Drawing from our analysis of NAO reports dating back to 2001, we have identified a range of themes relating to border management. We have found that the government's overall approach to border management has been stable over this period. We have also found that government is using data better and has had some success in improving services.

However, there have been some significant weaknesses, major contract disputes and high profile failures in border management. The most notable failure was the E-borders programme, but other programmes have also delivered less than planned. In 2017, the government still uses outdated technology, some border processes remain manual and there are significant gaps in data. In many respects, people working at the border manage in spite of these weaknesses but, even here, recruiting, retaining and deploying people in the right border roles remain difficult.

Existing challenges

Looking forward, we have identified a range of challenges that the government faces as it implements a new border management regime from March 2019, most of which will arise regardless of EU Exit. The government may have to manage:

- an increase in border crossings, consistent with a trend to more mobility;
- an environment characterised by increasing and complex security threats;
- rising citizens' expectations and the test of new, digital ways of working; and
- the challenge of managing within constrained resources.

New challenges brought by EU Exit

The UK and the EU are currently negotiating the UK's exit from the EU and the new relationship that will apply from March 2019. Like others, we therefore do not know the details of the border management regime that will apply from then. We know that EU Exit may bring complex new challenges. The number of decisions that have to be made over whether to permit people and goods to cross the border could increase significantly (potentially 230% and 360% respectively) through the need to make decisions on traffic from the EU. It may require bespoke processes for managing the land border with Ireland and the replacement of (or significant changes to) border services currently provided by European member states.

Our previous work shows that some changes to border management processes cannot be made without significant lead times and their successful implementation may require action from many parts of government and industry. The government will therefore need to make reasonable planning assumptions and take action where necessary to allow the border to be managed effectively from March 2019.

Part One

The border in context

In this part we show that the border is a complex concept and is more than the traditional line on a map. The border can be crossed at many locations, and under a wide array of circumstances.

Understanding the border

To understand how the UK's border is managed, it is necessary to consider the border from perspectives beyond the traditional line on a map. The border is:



a combination of physical and virtual controls, many of which are carried out away from the physical border point.

For example, people entering the UK by air routinely have information on their travel documents checked before arriving at a physical border point.



variable depending on the route of entry and the nature of the border crossing.

For example, goods that are traded with countries outside the European Union (EU) must be accompanied by a customs declaration, but this is not required for trade within the EU. Similarly, non-European Economic Area (EEA) nationals travelling to the UK may require a visa issued in advance.



characterised by events that can take place at different times. For example, the right to cross the border (for goods or people) can be granted in advance of an actual border crossing. In some circumstances, full customs declarations for goods can be made after the border has been crossed.



governed by powers that are drawn from national and international laws and bilateral and multilateral arrangements.

For example, under the Treaty of Le Touquet, the UK's border control for entry at Dover is carried out in France (Calais and Dunkirk). The checks are performed by UK Border Force staff and are referred to as juxtaposed controls. French authorities carry out corresponding border checks in the UK. There is a similar arrangement between the UK, France and Belgium for Eurostar services.

Border crossing points

Types of border crossing points
(see map on page 9):

- The UK border can be crossed by sea, air or rail at 113 major entry points. In total, there are more than 270 recognised crossing points and many other smaller entry points such as marinas and small airstrips. Entry points at Heathrow and Dover, where high numbers of people and goods cross the border, must cope with physical and logistical constraints to meet demand.
- The UK border can be crossed outside the UK under juxtaposed control arrangements. The government has sought to use information to extend its control of the border beyond the physical boundary. The Home Office collects either advance passenger information (API, information submitted in advance of travel) or travel document information (TDI, information submitted by carriers at or near to the point of departure). In March 2017, the Home Office collected either API or TDI on 89% of all inbound travellers.
- EU membership means that goods from non-EU countries are in free circulation once they reach the EU. As a result, the UK border for freight could be in any other EU member state.

- Many land crossing points exist between the UK and Ireland, where there are no regular checks made on people or goods crossing the border.
- Due to the UK's planned departure from the EU, two further border crossings are important. These are the crossings between Spain and Gibraltar, and between Cyprus and the British sovereign air bases.

Border metrics

Managing the UK's border at the many types and locations of border crossing can be challenging. Trend data show that border activity is consistently growing. This reflects the fact that the UK is a global, open economy with many cultural and economic ties to Europe and the rest of the world:



In 2016, more than 271 million people crossed the UK border by air (28% of these at Heathrow), almost 22 million crossed the border by sea and just under 21 million left or arrived in the UK by train. Since 2005, passenger arrivals and the value of imports have increased 27% and 46% respectively.



At over 472 million tonnes, the vast majority (95%) of freight arrives by sea. Of the rest, almost all arrives by train with a relatively small amount arriving by air.



In 2015, £696 billion of goods crossed the UK border (£411 billion of imports, £285 billion of exports). Of this, 46% of imports and 53% of exports came from, or went to, countries outside the EU. Treatment of goods at the border differs by type and where they are coming from or going to.



HM Revenue & Customs (HMRC) collects around £34 billion in value added tax, and customs and excise duties each year from cross-border transactions.



In 2016, more than 16.3 million individual decisions were made by Border Force to admit non-EEA travellers to the UK.



In 2016-17, more than 1.3 million people whose leave to remain had expired left the UK, and in 2016 nearly 11,000 enforced removals from the UK were carried out.

Land border with Ireland

No major checks in operation. This represents a different set of risks to border management than other entry points, which in general have more time to plan and manage the flow of people and goods.

Sea

There are 218 seaports. Ferries operate a roll-on roll-off service where individuals and trucks can board without an advance booking. The Home Office does not receive API from ferry companies but does receive TDI. In March 2017, it collected TDI for 42% of inbound passengers.



Air

Nearly half of traffic goes through London Heathrow and Gatwick, although there are 57 other airports. Such flights are pre-booked and in March 2017 the government received API on 100% of passengers. It is able to anticipate traffic and prevent travel or intercept if required.

Rail

Channel tunnel/Eurostar. Limited passenger information provided in advance as at March 2017.

Juxtaposed controls

UK government officials operate in France (e.g. Calais) and Belgium.

Border controls outside the UK

Decisions are usually made about whether to permit people to travel to the UK before those individuals arrive at the physical border point. This can be done by analysing API received electronically by airlines.

This concept, known as 'exporting the border', was the rationale behind a major government programme called E-borders and remains a key part of government's overall approach to managing the border.

The UK is not part of the Schengen Area Agreement (which allows travel in 22 EU states that is free of border checks) but does share and use information as part of the Schengen Information System.

Non-EU goods that arrive in the UK through the EU may not need a UK customs declaration, as a customs declaration may already have been made in the country in which the goods entered the EU.

As well as Ireland, land borders exist with the EU in Gibraltar and the British sovereign air bases in Cyprus. Special arrangements apply to these crossing points.

Part Two

Border organisations and activities

In this part, we describe the government's overarching goals for border management and describe the high-level roles of the key government and other organisations involved in border management. We also set out high level process flows.

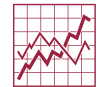
Government's goals

In managing the UK's border, the government has regard to a number of long-standing goals.

It wants to:



Keep citizens safe and the country secure.



Facilitate trade and tourism, grow the economy and collect revenue.



Manage migration, with an aim since 2010 to achieve a level of net migration that is measured in tens of thousands each year.



Protect and secure communities and the environment.

Home Office and HM Revenue & Customs

The main government organisation working at the border is the Home Office's Border Force which has its own operational responsibilities, but also performs tasks on behalf of other parts of government.

Border Force is responsible for securing the border and managing flows of people and goods. HM Revenue & Customs (HMRC) also has important border responsibilities. HMRC is responsible for collecting tax, duties and excise, and processing customs declarations. Although HMRC and Border Force have a partnership agreement, it is not always straightforward for government as a whole to prioritise the various activities involved in managing a safe and effective flow of people and goods, and the collection of revenue.

Role	Examples of policy-owning bodies	Examples of operational bodies
Securing the border, controlling immigration and counter-terrorism work	Home Office, Foreign & Commonwealth Office	Border Force, National Crime Agency Border Policing Command, Local Force Special Branch, Intelligence Agencies, Maritime and Coastguard Agency
Applications to enter and stay in the UK and removing immigration offenders	Home Office	UK Visas and Immigration, Immigration Enforcement
Issuing passports and visas	Home Office	HM Passport Office, UK Visas and Immigration
Collecting revenue at the border	HMRC	Border Force, HMRC
Operating UK customs	HMRC	Border Force, HMRC

Other border organisations

There is an array of other government organisations with policy or operational responsibilities at the border.

The border is one of the biggest contact points for a large number of other government organisations, since it presents a checkpoint for people and goods leaving or entering the UK. Some bodies provide intelligence and systems for the Home Office to use, or set policies and standards. The following table sets out some of the major government border roles and responsibilities, but is not exhaustive.

Role	Examples of policy-owning bodies	Examples of operational bodies
Control of imports and exports of live animals and animal products	Department for the Environment, Food & Rural Affairs (Defra), Animal and Plant Health Agency, Food Standards Agency	Animal and Plant Health Agency, Port Health Authorities, Rural Payments Agency
Control of imports and exports of fruit and vegetables, plants and wood	Defra, Animal and Plant Health Agency, Food Standards Agency	Animal and Plant Health Agency, Forestry Commission, Port Health Authorities, Rural Payments Agency
Protecting the environment	Defra, Marine Management Organisation	Environment Agency
Control of imports and exports of medicines and healthcare products	Medicines and Healthcare products Regulatory Agency	Medicines and Healthcare products Regulatory Agency, Veterinary Medicines Directorate
Control of imports and exports of chemicals and nuclear materials	Health and Safety Executive	Health and Safety Executive, Office for Nuclear Regulation, Environment Agency
Protecting UK consumers and businesses	Department for Business, Energy & Industrial Strategy, Intellectual Property Office	Trading Standards, National Measurement Office, Environmental Health
Control of exports of cultural objects	Department for Digital, Culture, Media & Sport	Arts Council (through issuing licenses)
Monitoring and licensing of imports subject to controls (bans, quotas etc)	Department for International Trade	Import Licensing Branch, Department for International Trade
Control and licensing of military equipment and strategic exports	Department for International Trade, Ministry of Defence	Export Control Organisation, Department for International Trade, Atomic Weapons Establishment
Control and licensing of road transport in and out of the UK	Department for Transport	Driver and Vehicle Standards Agency, Driver and Vehicle Licensing Agency

Private sector and other organisations

A range of private sector organisations are integral to the flow of goods and people at the border:



In modern, highly-integrated economies, people and goods increasingly cross borders. Carriers such as freight forwarders, couriers, ferry providers and airlines



physically bring people and goods across the UK border. As part of this, port and airport operators manage the points of



entry for ships and planes arriving in the UK. They provide space for government organisations, such as Border Force, to



operate and can manage inventory systems, collect trade data and other data, and report data to a variety of government systems, including customs declarations systems.



The UK is not a member of the EU's Schengen Agreement and therefore operates its own border controls and visa regime. The EU however sets much of the legislation that influences operations at the UK border, as the UK is a member of the EU-wide customs union and single market. The EU also negotiates trade agreements on behalf of member states and operates systems which facilitate the sharing of data and intelligence. The World Trade Organization (WTO) sets and polices tariffs and can arbitrate trade disputes. The UK is currently a member of the WTO through its membership of the EU.



Outside the UK, other governments also influence border activities, for example through accepting returns of foreign nationals or signing bilateral agreements which relax controls on movements of people and goods.

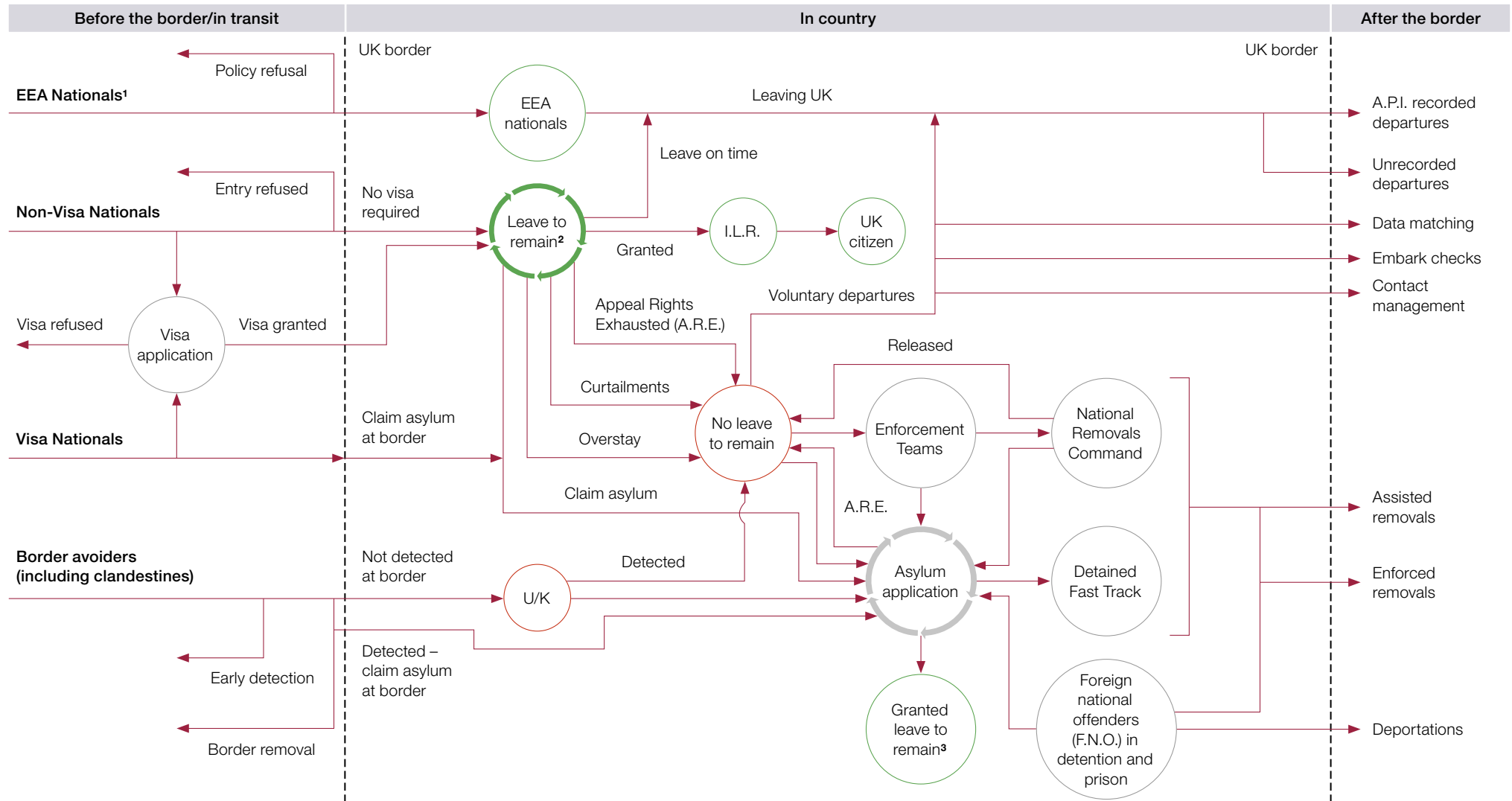
Process flows

The main processes and key systems at the border

In carrying out its responsibility to secure the border, manage the flow of goods and people, and collect relevant taxes and duties, the government carries out a wide range of important tasks. The following pages set out a high-level summary of the major process flows for people and goods at the border.

Despite changes to many border organisations throughout the 2000s and the automation of some border processes, the government's overall approach to border management has been relatively consistent and stable. These process flows show that there are a number of possible routes that different categories of people and goods can follow across the border and that the government relies on technology that, in some key instances, dates from the 1990s.

Process flows – people



Additional information

The UK is currently part of the EEA and its citizens are therefore EEA nationals. Typically, EEA citizens have automatic **permission to enter** the UK and the Home Office has more limited ability to refuse.

The Home Office uses data to determine the right to travel in advance. The Department now receives either **advance passenger information (API) or travel document information (TDI)** on 89% of inbound traffic.

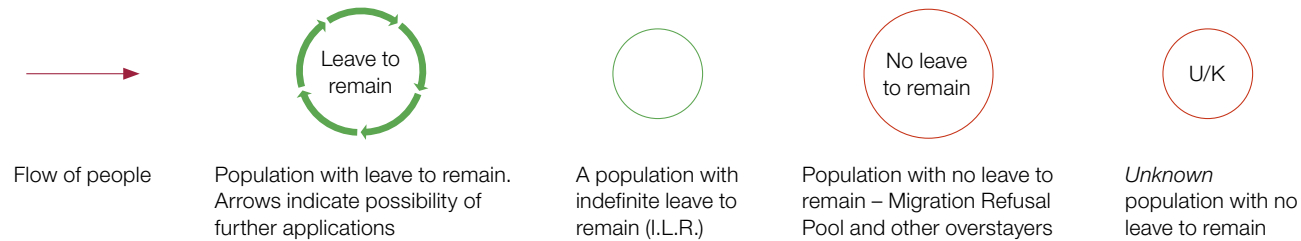
The Home Office uses the **Semaphore** system to collect data from carriers and check for persons of interest before they arrive at the border. This system began life in 2004 and the government plans to replace it by March 2019.

Intelligence on persons of interest is collated in the **Warnings Index** system, which can be used by border officials or the National Border Targeting Centre. This system dates from the 1990s and the government plans to replace it by March 2019.

Since 2015, the government has recorded information on who has left the UK, under a process known as **Exit Checks**. Prior to 2015, information was collected on around 80% of departures.

UK Visas and Immigration uses the **Casework Information Database** to manage and process applications from people wishing to come to the UK.

Key

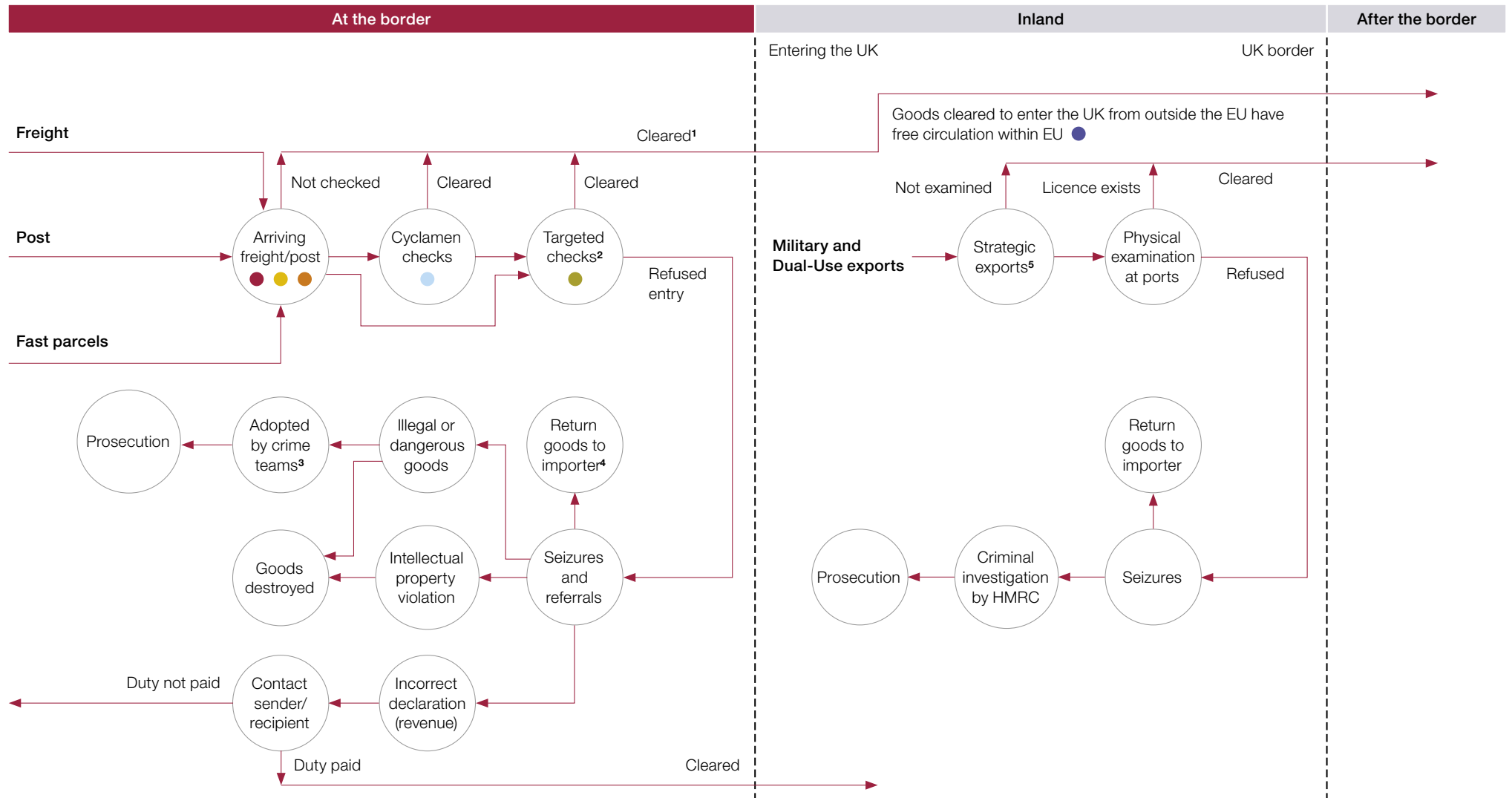


Notes

- 1 European Economic Area
- 2 Some individuals are checked at the Common Travel Area Border.
- 3 'Granted leave' includes asylum, Humanitarian Protection, Discretionary Leave, grants under family and private life rules, and temporary leave granted to Unaccompanied Asylum-Seeking Children.

Source: Home Office

Process flows – goods



Key



HMRC collects tax and processes customs declarations for imported and exported goods. Where required, **checks on goods are made by Border Force** staff using HMRC systems. Other departments/agencies may also undertake checks depending on the nature or origin/destination of goods.



Volumes of freight and traffic are so high that border officials can only check a small percentage of traffic. This is **done on a risk basis, and by using intelligence and border officials' experience**. There are also physical infrastructure constraints, such as number of searching bays, which limit the scope for interventions.



HMRC has operated its current declaration processing system, **CHIEF** (Customs Handling of Import and Export Freight), for more than 20 years. It is now in the process of being replaced by a new **Customs Declaration Service (CDS)**.



Once in the UK **goods are free to move throughout the EU**. Declarations for goods from the EU are not required and the goods can be brought into the UK without needing to be checked.



Targeted checks includes a wide range of regulatory and other compliance checks. Part Two sets out the range of government organisations (such as Defra) with border responsibilities.



Cyclamen is a radiation detection capability.



Flow of goods

Notes

- 1 **Cleared goods** are sometimes held in temporary storage under customs control until the trader is ready to send them to the markets.
- 2 **Targeted checks:** Includes manifest-targeted examination; 'by hand' targeted examination; and targeting by Special Branch. Targeted checks can be anti-smuggling for drugs, weapons, nuclear materials and indecent or obscene material. Border Force also conducts checks in accordance with other government departments' regulatory requirements, such as animal and plant health checks, and checks under licensing schemes.
- 3 **Crime teams:** Includes Airport Crime Teams, National Crime Agency and police authorities.
- 4 **Goods may be returned** to the importer if the seizure was incorrect. Traders have a right to appeal the seizure of goods at the border.
- 5 **Strategic exports:** This refers to military and dual-use exports requiring a licence from the Export Control Organisation (DIT). Goods are processed within an EU framework and in line with HMRC policy. Goods arriving at the UK border for transit to another country are not represented on the diagram.

Source: Home Office

Part Three

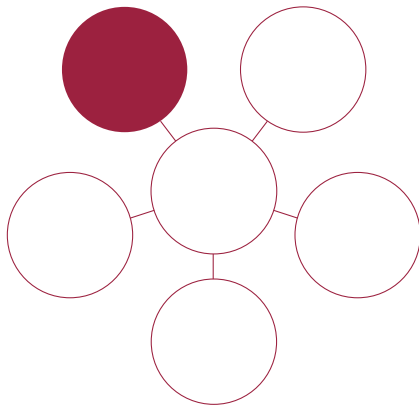
Themes from NAO's work on the border

We have reviewed previous reports written by the National Audit Office dating back to 2001. We have synthesised the findings of these reports into enduring themes for attention by the government.



Despite some notable failures, the government has usually managed the UK border to ensure the continued flow of people and goods and to maintain security.

Ambitious programmes to improve border management have often failed to deliver all of their planned benefits and have cost more than planned. More recently, the government has improved its border operations through incremental projects. We have also seen that government can respond to high-profile challenges and, in doing so, has usually resolved tensions between managing the flow of people and goods at the border, collecting revenues and maintaining security.

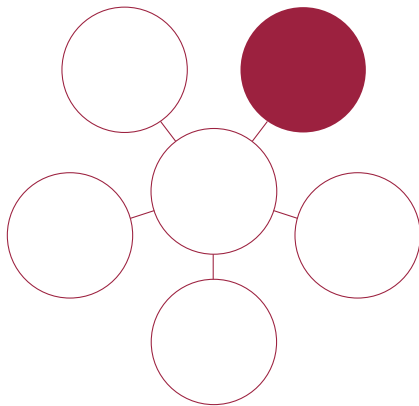


Some references that have informed this theme include:

- Our reports on the *Identity and Passport Service: Introduction of ePassports (2007)*, *The UK Border Agency and Border Force: Progress in cutting costs and improving performance (2012)*, *The Border Force: securing the border (2013)* and *E-borders and successor programmes (2015)* showed that the Home Office has improved some important parts of the border management process. Examples such as e-gates and e-passports have increased the potential efficiency with which the UK border could be managed. Additionally, exit checks on people leaving the UK and the establishment of national centres for analysing risks and targeting checking of people and goods have improved the control and management of risks.
- Our report *E-borders and successor programmes (2015)* reviewed the programme to transform border management by ‘exporting the border’. This programme was launched in 2007 and closed in 2010 after suffering delays and poor performance, culminating in a major commercial dispute that cost the government £150 million to resolve. The Home Office also spent £89 million developing systems the programme was set up to replace. We concluded that the programme was too ambitious and value for money could not be demonstrated.
- Our 2013 report *The Border Force: securing the border* showed how the Home Office improved border queuing times for the London 2012 Olympics and Paralympics. We found that when pressures became apparent in April 2012 the Department responded by improving monitoring and reporting mechanisms for breaches of queue targets and increased staff numbers by bringing forward intended recruitment and hiring temporary staff. As a result, during and after the Olympics and Paralympics, Border Force exceeded its queuing targets.
- In our report on *HM Revenue & Customs: 2012-13 accounts*, we found that HMRC had responded well to counter the threat of missing trader VAT fraud and close the tax gap. The level of attempted fraud had increased to a peak in 2005-06 (between £3 billion and £4 billion). By 2010-11, HMRC’s work and cooperation with others had reduced losses to an estimated £0.5 billion to £1 billion.

The government is increasingly collecting and using data to improve border management. Despite this, there are gaps and weaknesses in collecting and sharing data that mean that border management is not as good as it could be.

Goods and people crossing the border create a significant volume of data. The government is increasingly collecting this data electronically and is using it to help make important border decisions. However, the government has struggled to get good quality data, or get the benefits of computerised systems, in a number of front-line systems. It has also struggled to effectively join up and use its internal management information within and across agencies.

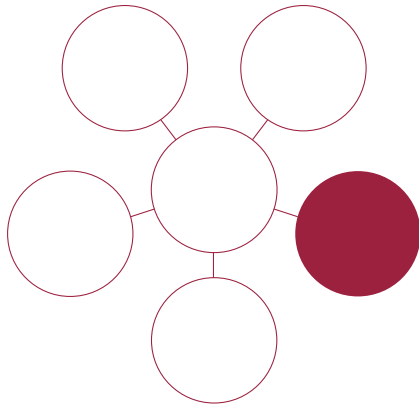


Some references that have informed this theme include:

- Our report *E-borders and successor programmes* (2015) found that the Home Office was collecting more advanced passenger information (API) than ever before. In 2003, it did not collect any advance data, but by September 2015, API was collected for 86% of inbound passengers and 100% of outbound passengers. The Home Office has begun using this information to intervene to prevent high-risk passengers from travelling. This report also considered the Home Office's attempt to increase the amount of advance booking data collected on passengers (Passenger Name Record or PNR data). When we revisited this in March 2017, the Home Office collected PNR data for 67% of passengers, compared to 20% when the report was published. It planned to increase PNR coverage to 100% of airlines in 2017.
- In 2004, our report *Asylum and Migration: a review of Home Office statistics* found that the Home Office recognised it needed to improve the quality of data entered into its casework system. When we revisited this subject in 2014 (*Reforming the UK border and immigration system*) we found worrying gaps in data remained. For example, 34% of sampled asylum cases did not have the minimum expected data at the decision stage and 84% of removal cases did not have minimum data entered, meaning removals could be attempted without knowing where an individual lives or whether they still had an appeal outstanding.
- Our 2014 report *Reforming the UK border and immigration system* found poorly integrated systems had been a significant barrier to sharing information between teams. Simple requests for data often took weeks to produce. These challenges have been persistent: as far back as 2004 we noted (*Visa Entry to the United Kingdom: The Entry Clearance Operation*) that different teams had responsibility for analysing different business areas and there was scope to improve information sharing across areas.
- Our 2013 report *The Border Force: securing the border* evaluated various intelligence functions Border Force had established and found they were often not joined up with one another. For example, we found the Felixstowe hub, which issues intelligence alerts on shipping containers, supplied information to front-line officers that did not align with their specific targets, such as on drug and cigarette seizures.

The government has made significant improvements to border processes, but too many border, customs and immigration processes remain manual or rely on legacy technology.

The government has automated some border processes, has met most of its own targets for border processing and has some notable examples of satisfied users. However, in some areas, border operations continue to rely on legacy systems and paper-based manual processes. This limits efficiency and means that one of the government's main ways of dealing with demand spikes is to increase staff.

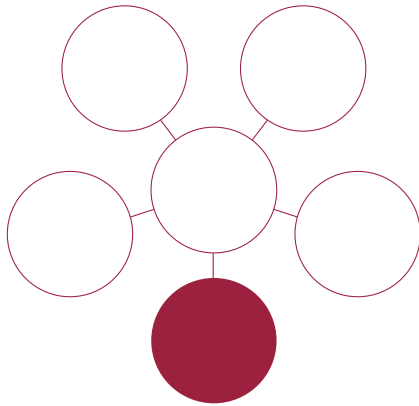


Some references that have informed this theme include:

- Our reports *Identity and Passport Service: Introduction of ePassports (2007)* and *Reforming the UK border and immigration system (2014)* found that the government has made notable improvements to border processes, such as introducing biometric passports and creating online tools for visa applications.
- However, in our 2009 report on the *Management of Asylum Applications by the UK Border Agency* we found case owners still regularly used two separate databases that could not communicate and that time was wasted duplicating tasks and swapping between systems. A large volume of work, including notes and forms, was printed out and hand-written. Despite various attempts to improve the situation, our 2014 report *Reforming the UK border and immigration system*, found that immigration caseworkers still relied on paper systems and data manually transferred between systems and, for our 2015 review of *E-borders and successor programmes* we found border staff checking passport data and vehicle registrations against paper lists.
- In *The customs declaration service (2017)* we noted that the UK came 5th out of 160 countries in the World Bank's ranking of the efficiency of the border clearance process, including customs. The report also noted that although the current Customs Handling of Import and Export Freight (CHIEF) system is well regarded by users, it used ageing technology that would be difficult, slow and expensive to update to meet legislative requirements or handle additional volumes of declarations. HMRC is replacing it with a new Customs Declaration Service (CDS). The government had considered replacing the CHIEF system many times. As far back as 2001, in *Regulating freight imports from outside the European Community*, we reported that the CHIEF system was to be replaced by January 2004.

Significant elements of border management take place after the border crossing and the government's performance in this has been mixed.

The government carries out some important border work inland and has moved operations away from the border to reduce the burdens on staff and infrastructure. It has faced challenges in undertaking this work.

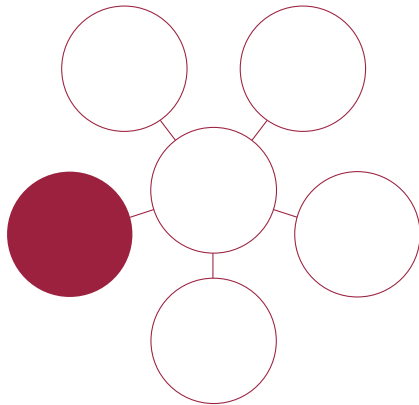


Some references that have informed this theme include:

- Our reports have consistently highlighted the difficulties the government has had in recording individuals once they are in the UK. In 2005, *Returning Failed Asylum Applicants* noted that the Home Office had difficulty estimating the number of failed applicants to be removed. In 2012, our report *Immigration: The Points Based System – Student Route* noted that the UK Border Agency did not know how many students who had overstayed their visa remained in the UK. Exit checks are now helping to ensure that the Home Office has a better picture of who leaves the UK and who remains, but this data will not help track people who were admitted before exit checks were implemented in 2015.
- In 2014, our report *Reforming the UK border and immigration system* detailed the challenges faced by the Home Office in reducing the backlog of cases in the migration refusal pool (which records people with no legal right to remain in the UK and should therefore be removed). Of 248,000 cases assessed by December 2013, 47,300 had departed and 50,000 could not be contacted. In 121,000 cases there was a barrier to contact and additional work was required. It also set out the scale of open cases for temporary and permanent migration. By March 2014, there were nearly 301,000 open cases, including more than 30,000 immigration and asylum cases dating back to pre-2007.
- In 2016 (*Investigation into overseas sellers failing to charge VAT on online sales*) we reported how HMRC and Border Force concluded that inland enforcement actions to tackle online VAT fraud are more effective and efficient compared to border activity. This includes targeting fulfilment houses (warehouses where goods can be stored before delivery) which are not regulated and where checks on goods are not required. HMRC had previously concluded in 2014 that it was highly likely that organised criminals in the UK and overseas sellers in China were using fulfilment houses to facilitate the sale of undervalued or misclassified goods online. HMRC estimates the number of fulfilment houses in the UK (fulfilling goods for sellers based outside the EU) is between 500 and 3,000. From 2018, legislation will be introduced to ensure fulfilment houses register with HMRC and carry out due diligence on their overseas customers.
- In our 2008 report *The control and facilitation of imports*, we found that traders at that time considered that HMRC performed less well post-clearance, particularly in trader audits and in repaying overpaid duty.

The government has struggled to effectively forecast demand and its workforce requirements at the border and recruit, train and retain staff.

The government has had difficulty forecasting the overall demand for border services, as well as the peaks, troughs and patterns in demand. Border management requires experienced, skilled and motivated staff to deliver a high-quality border service, and to manage new projects. Like other parts of government, the Home Office and HMRC have found it challenging to deploy people with the right skills into key roles at the right time.



Some references that have informed this theme include:

- In our report *The Border Force: securing the border* (2013) we found that Border Force had struggled to accurately forecast its overall staffing needs, resulting in substantial reductions in staffing in one year being followed by very significant increases in the years immediately following. The same report noted that Border Force had developed a detailed model for forecasting resources through to 2016. However, Border Force had identified limitations to the model, such as it did not yet take account of changes in aircraft capacity, port capacity or future port openings or closures. As a result, Border Force did not consider the model accurate enough to inform operational planning.
- Our report on *Reforming the UK border and immigration system* (2014) highlighted the challenges the Home Office faced in predicting immigration flows to allow it to allocate and recruit the right number of staff.
- Our report on the government's progress in replacing its long-running customs handling system known as CHIEF (*The customs declaration service*; 2017) highlighted HMRC's difficulties in securing scarce technology and digital skills, which we assessed to be a key risk to the project.
- Our report on *E-borders and successor programmes* (2015) highlighted problems with staffing including the high turnover of senior responsible officers and programme directors throughout the life of the programme.

Part Four

The border looking forward

In this part, we highlight existing challenges to border management and describe a number of current border-related programmes. We then look ahead to the implications for border management that might arise from the UK's departure from the European Union (EU). This part does not seek to evaluate the government's progress to date in preparing for EU Exit.

The precise details of the border management regime that will apply from March 2019 are not yet known but the government has committed to leaving the single market and the customs union and forming a new relationship with the EU. It is likely that this new relationship will result in some important changes for border management, potentially involving many more decisions about individuals and goods entering the UK. We know from our work that some border management processes cannot be created without significant lead times and that their successful implementation may require action from many parts of government and industry. Medium term planning, reasonable assumptions and relevant action by the government may therefore be needed to ensure good border management from March 2019. In October the government recognised that there might be a need to start spending to prepare for EU Exit.

It is important that departments can start spending to prepare for Brexit when they need to do so... Departments will still need to ensure spending is in all other respects regular, proper, feasible and good value for money, in the usual way... As confirmed yesterday, by the Prime Minister to the House and by the Chancellor to the Treasury Committee, the Treasury has committed over £250 million of additional spending in 2017-18 to prepare for Brexit from the Reserve.

Chief Secretary to the Treasury

**Written statement to the House of Parliament
12 October 2017**

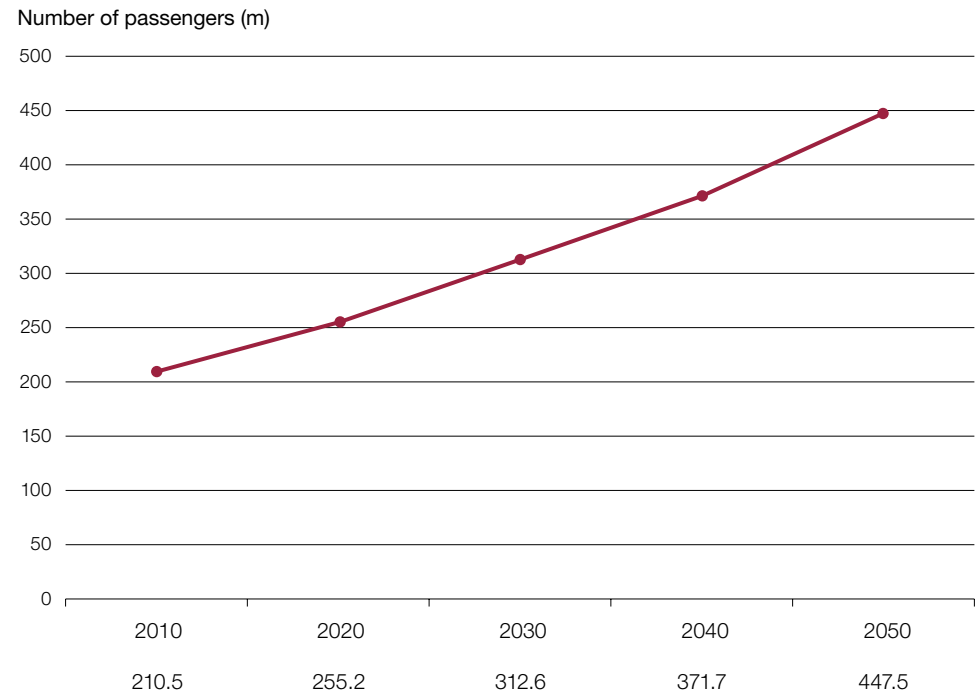
Existing challenges and programmes

Managing the UK's border is a complex, important and often difficult task. The number of people crossing the border and the value of goods are very significant, and looking forward, government needs to deal with an emerging set of challenges.¹

Current challenges for management of the UK border:

- **Border crossings are expected to increase, consistent with a long-term trend that shows more people and goods are coming to the UK.** Since 2005, passenger arrivals and the value of imports have increased 27% and 46% respectively. Passenger traffic is predicted to double by 2050.
- **Passenger and user expectations are rising; at the same time, resources available to manage the border remain under pressure.** Border users increasingly expect easy, quick and intuitive interactions with border processes. The government has to meet these rising expectations within limited resources. For example, over the past four years Border Force workforce has reduced by 4%.

UK air passenger forecasts (millions), assuming carbon use is not capped and no new capacity is built



Source: Department for Transport, 2013

¹ Potential challenges arising from the UK's decision to leave the EU are considered in the next section.

- **Security threats are growing and changing.**
The government is responding to a dynamic set of risks and events in terrorism, criminality and cybercrime. These are frequently complex and require extensive cooperation by border and security agencies in the UK and elsewhere.
- **Digital technologies continue to be used widely throughout society, offering opportunities for new ways of working. These technologies also entail risks that need to be managed.**
The *Government Transformation Strategy 2017 to 2020* sets out the government's plan to build services that run seamlessly across government, in ways that take account of risks of the digital age. The government's border systems and processes must therefore appropriately share information, be secure, deter criminal behaviour and maintain the government's commitment to individuals' privacy.

- **Border operations still rely heavily on old technology.** The government's ambitions to seamlessly interact with citizens, and securely share information, are currently limited by historic investments such as the Casework Information System and Warnings Index (used by the Home Office) and the CHIEF system used by HMRC. These key databases were developed in the 1990s and lack modern functionality. The government recognises the limitations of these systems and has started programmes to replace them.

The government has acknowledged many of these existing challenges and has put in place a variety of programmes to maintain or upgrade its border management capability, including:

The Customs Declaration Service programme.

HMRC is replacing its existing customs system with a new Customs Declaration Service (CDS). The CDS programme is one of 15 major programmes in HMRC's wider transformation portfolio. HMRC started the programme before the UK voted to leave the EU in June 2016, and before the government committed to

seeking a new customs arrangement from March 2019. In our report on this programme we noted that HMRC has made progress in designing and developing the new Customs Declaration Service. However there remains a significant amount of work to complete, and there is a risk that HMRC will not have the full functionality and scope of CDS in place by March 2019 when the UK plans to leave the EU. HMRC recognises the risks to delivery and is working to manage them.

The Border Systems Programme. The CDS programme does not cover all of the border systems that HMRC believes it will need to change to support the UK's exit from the EU. Changes needed to other systems fall within the scope of HMRC's Border Systems Programme. HMRC operates 57 systems to support the UK border, and assessed that 26 of those systems need to be amended in some way to accommodate the UK leaving the EU, for example the Excise Movement and Control System (EMCS). This is an EU-wide system that records goods moved within the EU under duty suspended arrangements.

The Digital Services at the Border (DSAB)

programme. This is the Home Office's successor to the E-borders programme to collect advance passenger information (API) on travellers to the UK from transport carriers, and check this data against data on persons of interest before they travel. To date these programmes have improved the amount of data collected over time: in September 2015, when we issued our report *E-borders and successor programmes*, we found that the Home Office was collecting API for 86% of all inbound passengers. Two key systems that support this are the Semaphore and Warnings Index systems. These are however 13 and 22 years old respectively. The DSAB programme plans to replace them with two new systems, Advanced Border Control and Border Crossing, by March 2019. The DSAB programme also includes an Advanced Freight Targeting Capability (AFTC) to identify cargo of interest, which will replace HMRC's Freight Targeting System by March 2018. The Border Crossing and AFTC systems are currently being tested in live environments.

Possible EU Exit-related challenges

Because of the uncertainty surrounding the nature of the UK's exit from the EU, possible exit-related challenges to border management are currently unknown. However, it is very likely that the UK's new relationship with the EU will result in some important changes for border management. Some border management processes cannot be created without significant lead times and their successful implementation may require action from many parts of government and industry. The government may therefore need to make reasonable assumptions and take relevant action that is targeted to the short, medium and longer term to ensure good border management from March 2019.

Potential new challenges for border management as a result of EU Exit

1 Demand for many border services could increase following EU Exit and require the UK to scale many existing border services. The government could be required to make many more decisions about who and what can cross the border, for example, including the inspection and enforcement regimes associated with these decisions.

- **People:** In 2016, over 37 million non-British European Economic Area (EEA) citizens arrived in the UK. In the same year UK Visas and Immigration decided on the entry rights of 16.3 million non-EEA nationals. If the existing entry regime for non-EEA nationals is extended to all EEA arrivals, UK Visas and Immigration will need to make **230%** more decisions a year.
- **Goods:** If customs declarations are required for trade between the UK and the existing EU, HMRC estimates that the total number of customs declarations could increase by around **360%**, from the 55 million currently made on non-EU trade to 255 million.
- **Product standards:** there may be an increase in volume of work for other agencies such as Defra, from carrying out biosecurity checks.

As these services already exist, it could be considered a relatively simple task to do ‘more of the same’. However, this assumption may not prove true and in some circumstances, the ability to scale up operations will be constrained by physical and other infrastructure. For example, there are a limited number of inspection bays available to search incoming traffic at the Dover port, and there are physical constraints on creating new inspection bays. In other circumstances, scaling up services could be constrained by the lead times required to recruit and train new staff or design and implement new processes and systems. In many cases, these lead times could exceed one year.

As set out in Part Three, the government has previously faced similar challenges in relation to its work at the border. We highlight that it has made significant improvements to border processes, but too many border, customs and immigration processes remain manual or rely on legacy technology. It has struggled to effectively forecast demand and its workforce requirements at the border, and recruit, train and retain staff. It has also faced challenges when it has moved some operations inland to reduce the burdens on infrastructure and staff.

2 Services currently received under various information-sharing agreements might need to be replaced or modified. Under existing arrangements agreed with the EU, many services are delivered centrally by the EU on behalf of all EU member states.

One significant impact could be that the UK may need to manage and track the biosecurity and public health checks of animals, products of animal origin, and high-risk food and feed. These are currently carried out by an EU system known as TRACES (the EU TRAdE Control and Expert System). The EU also maintains various registers (such as a catalogue of plant and vegetable species that can be marketed in the EU) and provides information on goods that transit through the EU. Once the UK leaves the EU, it may be necessary to replace these and other services (or negotiate their continued delivery by the EU). Although there are existing services that can be used as the template for a new or replacement service, this would still require significant design, system development and programme management effort.

The UK may also have reduced or no access to a range of existing information sources, such as information shared under the Schengen protocol or by EU customs authorities. At the same time as responding to this challenge, the government will be adjusting to the new requirements of the General Data Protection Regulation which will apply from May 2018. This regulation sets out new data protection requirements (such as an individual’s ‘right to be forgotten’ that requires their personal data to be erased if certain conditions are met) and the government has committed the UK to applying these requirements irrespective of the outcomes from the UK’s negotiations with the EU. As set out in Part Three, the government is increasingly collecting and using data to improve border management. Despite this, there are already gaps and weaknesses in collecting and sharing data that mean that border management is not as good as it could be. These gaps could be increased if access to this information is not maintained.

3 Border management processes might need to be changed to accommodate the new relationship between the UK and EU countries. The government may need to work with other countries to establish new rules for travel, for example if visas are required. The government may also need to work with industry to apply tariffs to goods that are currently free from tariffs. Similarly, customs declarations may be required for goods travelling to, or from, the EU. These changes would be an administrative challenge and have potential fiscal risks attached to them. Government's border management interacts with almost every industry in the UK and a huge number of citizens. The government might therefore need to clearly communicate new processes, and effectively manage changes, with an exceptionally large number and wide variety of stakeholders. In turn, stakeholders would need to make their requirements clear to government and change business-critical processes and systems.

4 New border management activities may need to be designed and implemented in a compressed time frame and with potentially limited lead times, posing challenges for the cost-effective delivery of those activities. We have seen, for example, that HMRC's Customs Declaration Service is currently planning on delivering a solution designed before the start of the UK and EU negotiations. If changes are required, HMRC would need to formally evaluate what it could do to change the CDS programme and decide on what risks it would bear. HMRC's approach is a recognised way to manage the scope of a programme but our report in 2017 asked whether government could do more to increase the time contingency available to HMRC. The challenge to carry out many Exit-related programmes much faster could be multiplied for government. In this case, government would need to speedily implement many programmes but avoid the difficulties associated with large system-wide changes. As Part Three showed, ambitious programmes to improve border management have often failed to deliver all of their planned benefits and have cost more than planned. More recently, the government has improved its border operations through incremental projects.

5 New border management processes arising from new trade deals between the UK and non-EU countries may need to be implemented. The UK may agree bespoke trade deals that might require new or changed management action at the border. For example, the UK could agree to allow some products to be sold in the UK, or exported from the UK, which are not currently permitted under EU regulations. There are also opportunities to improve the use of data and technology. For example, the government could streamline the arrangements by which importers and exporters interact with government for all clearance activities, in line with international best practice.

6 Creative solutions and unique approaches for special circumstances may be required.

Whilst the UK may need to respond with a system-wide transformation, at speed, and with acceptable levels of risk, it might also require special arrangements for:

- the land border between the UK and Ireland. There is high political sensitivity attached to the border between the UK and Ireland. The border currently has 300 crossing points where people and goods can freely move. The UK government's objective in this area is to avoid checking people crossing the border with Ireland and not to create any new physical infrastructure at the border.
- other land border crossing points with the EU, such as between Gibraltar and Spain.
- port entries that are described as 'roll-on roll-off' services, where increased border controls could limit the flow of goods and people, creating bottlenecks and substantially increased waiting times. If these persisted then perishable goods could be damaged and supply chains could be interrupted.

7 There may be impacts on many parts of government, as well as important fiscal, security and trade implications, which would need to be managed. This may require government to coordinate and prioritise its change management activities over the short, medium and long term to deal with these implications in a cost-effective manner.

- **Planning and managing these changes in an environment of significant uncertainty.** Since the negotiations between the UK and the EU are ongoing, many of the key parameters that govern the UK's border management (e.g. whether tariffs are applied to goods; or what rules govern the rights of people to enter the UK) are not known. This uncertainty makes detailed planning and management inherently difficult.
- **Balancing short and longer term risk and opportunity.** EU Exit-related activities will need to be prioritised and some trade-offs made. The government may have to make difficult decisions about possible changes to its risk appetite, for example by reducing checks on goods if queues build up.

- **Coordinating border management activities so that the various parts of government involved can act cohesively.** In Part Two, we set out the government's border management activities and showed that they are currently carried out by a wide range of organisations. The government has started to consider how to bring these activities together by establishing a Border Planning Group with senior representation from HMRC, Home Office and other departments. This group is responsible for coordinating the government's response to EU Exit-related border challenges.
- **Ensuring Border Force can deal with the cumulative impact of change.** While many government agencies have policy objectives at the border, Border Force is the main body responsible for the operational delivery of these. It could struggle to deal with the training, workforce, financial and prioritisation challenges involved in managing so many changes to its business in a short space of time.

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