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The UK border: preparedness for EU exit
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The UK border: preparedness for EU exit

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office
19 October 2018
This report is part of our ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This study examines how prepared government departments are for the changes required at the border after EU exit.
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## Key facts

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<th><strong>205m</strong></th>
<th><strong>£40bn</strong></th>
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<td>traders, estimated by HM Revenue &amp; Customs (HMRC), who would need to make customs declarations for the first time in the event of ‘no deal’</td>
<td>passengers who crossed the border between the UK and the rest of the EU in 2017, not including an unknown number of passengers who crossed the border between Northern Ireland and Ireland</td>
<td>estimated tax and duty collected in 2017-18 on border transactions</td>
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<th><strong>260 million</strong></th>
<th><strong>8%</strong></th>
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<td>HMRC’s revised estimate of the number of customs declarations it may need to process if the UK leaves the EU with ‘no deal’, compared with current volumes of 55 million</td>
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<td>Out of 12 critical IT systems at the border that the Border Delivery Group has assessed as being at risk of not delivering on time and to acceptable quality (rated amber or above) by 29 March 2019</td>
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Summary

Introduction

1. On 29 March 2019, the United Kingdom (UK) is set to leave the European Union (EU). The government is preparing for when the UK-EU relationship changes and the EU begins treating the UK as a non-member state and a third country for the purposes of EU law.

2. The government is currently negotiating the terms of the withdrawal and the text of a document setting out a framework for the future of the UK-EU relationship. Departments are planning on the basis that these negotiations will be successful and a ‘deal’ is reached. Departments are also planning should the UK leave the EU with no ‘deal’ in place.

3. If a ‘deal’ is reached there would – based on a draft withdrawal agreement published earlier this year – be a transition or implementation period until the end of 2020. Although the UK will have left the EU, in practice most EU law would continue to apply in the UK and many of the practical day-to-day arrangements between the UK and the EU would remain unchanged until after December 2020.

4. If there is ‘no deal’ then there would be no implementation period, with a sudden change in the UK-EU relationship. This would have implications for the movement of goods, people, services, and areas of cooperation such as data-sharing and security. The precise impact would depend on whether the UK and EU could quickly reach agreements on issues such as travel, data-sharing and customs arrangements before March 2019.

5. In whichever situation the UK leaves the EU there will be implications for how the UK border is managed. The UK’s management of the border is currently heavily influenced by its membership of the EU, which allows free movement of goods, services, capital and people across member states. The ongoing negotiations on the UK’s future relationship with the EU will determine how the border operates when the UK leaves the EU. If the UK leaves the EU with no ‘deal’ in place on 29 March 2019 (‘day one of no deal’), or at any stage thereafter, then trade between the UK and the EU would be governed by World Trade Organization (WTO) rules including the principle of ‘most favoured nation’. This principle requires non-discrimination between trading partners and the consistent application of customs checks, tariffs and non-tariff barriers to trade. This means that new customs controls, tariffs and non-tariff barriers might apply to around £423 billion of trade at the UK border. This could require government to put in place new systems, upgrade existing systems and make extensive other changes.
The border is more than a traditional line on a map; it is a combination of physical and virtual controls, many of which are carried out away from the many physical border crossing points. These controls can take place before or after travel. In October 2017, our report The UK border noted that border management is fundamentally important to national security, effective trade, tourism, well-managed migration, healthy communities and the environment. We found that government departments already face significant operational challenges at the border including expected increases in border crossings over time, the nature of security threats changing, funding constraints and a heavy reliance on old technology. We concluded that the UK exiting the EU could significantly increase these challenges.

Many government departments have a responsibility for the border. Key government departments that set policy or operate controls at the border include Border Force (a part of the Home Office), HM Revenue & Customs (HMRC), the Department for Environment, Food & Rural Affairs (Defra), and to a lesser extent the Department for Transport. In addition, the private sector plays a very significant role. Organisations such as freight forwarders, couriers, ferry providers, and airlines physically bring people and goods across the UK border. Ports, Eurotunnel and airport operators manage the points of entry for ships, trains and planes arriving in the UK.

The Department for Exiting the European Union (DExEU) has had responsibility since it was created for coordinating departmental EU exit-related issues, including those affecting the border. Initial scoping work demonstrated both the scale and complexity of this issue. In March 2017, the Cabinet Office created the Border Planning Group, a cross-government oversight group. This was supported by a border coordination team, which was strengthened and expanded in April 2018, becoming the Border Delivery Group. The Group is hosted by HMRC, reporting jointly to the Chief Executive of HMRC and the Second Permanent Secretary of the Home Office.

The purpose of this report is to assess how prepared government departments are for the changes required at the border after EU exit. Our focus is on the progress government has made with its operational planning and delivery of the changes to border operations which will be required by the UK’s exit from the EU. We have examined 20 high-impact border-related EU exit work streams and have visited key ports, Eurotunnel and airports to understand the operational impact of changes in the relationship between the UK and the EU. Our methodology and further detail on work streams are set out at Appendices One, Two and Three. We have not assessed the value for money of departments’ overall preparations or individual border-related programmes. We recognise that the government’s work in the areas covered by this report is developing quickly and our analysis is based on information available up to 19 October 2018.
Key findings

10 The effectiveness of departments’ border planning and delivery has been affected by ongoing uncertainty and delays in negotiations. The uncertainty from the ongoing UK-EU negotiations has made it difficult to make clear planning assumptions. Delays in UK-EU negotiations have reduced the time available to departments to plan and implement new border regimes that might be required. For example, there is now less time to make any necessary changes to systems and infrastructure, increasing the risks to effective border operations. These delays have also constrained departments’ ability to communicate with stakeholders and traders who will play a very significant role in implementing new customs and regulatory arrangements if there is no ‘deal’. For example, HMRC originally intended to communicate about the new Customs Declaration Service (CDS) with businesses that trade exclusively with the EU in early 2018 but only started communicating in August 2018. As the negotiations have been further delayed in 2018, there have also been changes in the focus of departments’ planning effort as the likelihood of ‘deal’ and ‘no deal’ scenarios has fluctuated (paragraphs 2.2, 2.9, 2.12, 2.13, 3.24 and Figure 5).

11 The Border Delivery Group (BDG) has improved government’s understanding of the changes that need to be put in place at the border but it has not been able to address all areas of its responsibilities. BDG has undertaken some work on all scenarios and locations but has focused its efforts on preparations for ‘no deal’ and the impact at ports described as ‘roll-on, roll-off’ (RORO) such as the Dover ferry port. It has concentrated on defining the outcomes, such as effective customs arrangements, that need to be in place for the border to function properly. BDG has brought together the many departments and industries with a role at the border, and has assessed whether they are on track to deliver the changes to systems, infrastructure and resources needed. Its interventions have helped to ensure departments’ attention is focused on key operational risks such as the readiness of traders to implement the changes required. However, BDG has not always been able to unblock difficult issues. Largely due to time constraints and ongoing negotiations, there are some important areas of its responsibilities it has not yet been able to address. BDG has only recently begun its detailed planning work in relation to Northern Ireland (paragraphs 2.6 to 2.12 and Figure 4).

12 Planning for border operations in the event of a ‘deal’ is less developed than that for ‘no deal’ because of the ongoing uncertainty regarding the nature of the future relationship between the UK and the EU. The exact nature of a ‘deal’ between the UK and the EU is still to be determined but, if a ‘deal’ is reached, government departments expect there to be little immediate change at the border. They consider that, overall, the scale of the challenge to implement a ‘deal’ would be much less significant than the work required to be ready for a ‘no deal’. This is because departments consider that many of the ‘no deal’ projects and programmes would no longer be necessary and there would be more time to implement those that are still required. However, introducing new border arrangements as part of a ‘deal’ could still involve a large amount of work leading up to and beyond the end of the implementation period in December 2020. For example, HMRC is currently designing how it could implement an interim capability to allow a Facilitated Customs Arrangement to operate from the end of the implementation period but expects that implementing the full system would take longer (paragraphs 2.4, 2.12, 2.16 to 2.19 and Appendix Three).
13 There is a high delivery risk attached to government departments’ border programmes for ‘day one of no deal’ due to their scale, complexity and urgency; this risk is magnified by the degree of interdependence between the programmes. In particular:

- **Key system developments are at risk.** In September 2018, BDG reported that 11 of 12 major projects to replace or change key border systems were at risk of not being delivered on time and to acceptable quality. BDG highlighted several underlying reasons for this including complex dependencies between programmes and limited time for system development, business change and preparations (paragraph 3.5 and Figure 6).

- **Infrastructure identified by government departments cannot be built before March 2019.** For example, HMRC will need to develop infrastructure to enable the tracking of goods, and Border Force will require space and facilities to physically examine goods. Significant changes will not be possible before 29 March 2019, in part because ports and others need certainty on future arrangements before they will invest in new infrastructure. Without the necessary infrastructure, HMRC, Border Force and others may not be able to fully enforce compliance regimes at the border on day one. They are exploring alternative options for carrying out enforcement action such as ‘trusted trader’ schemes and inland checking facilities (paragraphs 3.19 to 3.23 and Figure 8).

- **The additional resources required to operate the border may not be ready by March 2019.** As at October 2018, Border Force plans to recruit 581 full-time equivalent additional operational staff and intends to increase numbers over the months following EU exit. Border Force’s estimate of additional staff is based on incomplete information from departments and there is some uncertainty on what the future regime will be. Border Force has estimated that it could require around 2,000 staff to meet all requirements in the event of ‘no deal’, such as full compliance with WTO rules and other international obligations. Given the uncertainty, and the length of time to recruit, security clear and train staff, Border Force acknowledges that there is therefore a significant risk that it will not deploy all the staff it plans to recruit by 29 March 2019. However, Border Force will only be required to enforce a reduced compliance regime on ‘day one of no deal’. Border Force is also establishing a readiness task force of 300 staff who can be deployed to help meet peaks in demand and allow existing staff to be trained in new requirements. It expects to have 281 of these in place by the end of December 2018 (paragraphs 3.12 to 3.16).
• **Delivery risk is increased by the high interdependence between government programmes.** Some of the government’s EU exit work streams are dependent on the success of other EU exit work streams. These interconnections can lead to a multiplication effect where one programme, which is at risk of not delivering, is reliant on another at risk programme. For example, seven of the most critical systems have interdependencies with CDS and/or its legacy system CHIEF (Customs Handling of Import and Export Freight); where one system is reliant on another and both must be ready on day one for the border to operate as planned. Similarly, Border Force’s difficulties in recruiting, training and deploying staff are increased because Border Force is unsure exactly how many staff it may need, as it has not received sufficient detailed information from other government departments on the compliance regime that they require it to enforce (paragraphs 3.5, 3.8, 3.12 and Figure 7).

14 **Businesses do not have enough time to make the changes that will be needed if the UK leaves the EU without a ‘deal’.** Government departments can only implement some of the changes that are required at the border. They are also heavily dependent on third parties, such as traders, being well-informed and making changes to their systems and behaviours. Many of these third parties will need to comply with customs, regulatory or other processes for the first time. For example, HMRC estimates that between 145,000 and 250,000 traders who have not previously done so would need to make customs declarations. Government papers from July 2018 stated that it was already too late to ensure that all traders were properly prepared for ‘no deal’. Also in July 2018, HMRC stated that it would cost ports a considerable amount of money and time to make the necessary changes, and that the point had already passed where these changes could be put in place by March 2019. Our work confirmed that key ports and suppliers need reasonable certainty before making significant investments in infrastructure, people, systems or processes. Although the government started publishing technical notices to help businesses and the public prepare for ‘no deal’ in August 2018, these may not contain sufficient detail to enable businesses to justify investment decisions (paragraphs 3.9 and 3.20 to 3.26).

15 **The most complex issues relating to the border in the event of the UK leaving the EU without a ‘deal’ remain to be resolved.** The government has not yet taken a policy decision regarding whether and how to implement customs arrangements at the Northern Ireland and Ireland land border in the event of ‘no deal’. The government’s current planning assumptions would aim to take into account different types of business, consider the feasibility of new systems, and ensure the facilitation of cross border movements. HMRC also needs to design and implement a system that will allow RORO ferry ports and Eurotunnel to operate smoothly. The government has not yet determined how this will happen but currently plans on requiring customs declarations to be made in advance of arrival at RORO locations. This represents a major business change for traders and hauliers. Systems also need to be implemented to allow HMRC to match a customs declaration to the movement of goods for compliance purposes. Discussions regarding how this will operate in practice are still ongoing with ports and representatives of the businesses who will need to operate the system (paragraphs 3.27 to 3.32).
16 In the event of ‘day one of no deal’ the government has accepted that the border will be ‘less than optimal’. The government does not have enough time to put in place all of the infrastructure, systems and people required for fully effective border operations on day one. It has decided to prioritise security and flow of traffic over compliance activity in the short term. Initially, Defra intends not to apply regulatory or safety checks on the majority of agricultural and food-related products and other goods arriving from the EU. This is because its planning assumption is that risks at the border will not change immediately, and that overall patterns and volumes of border crossings will initially remain the same. HMRC expects that most traders will be compliant and declare the duties that they owe as now. The government has not defined what ‘less than optimal’ might mean but this could include delays for goods crossing the border, increased opportunities for tax and regulatory non-compliance and less information to inform checks of people crossing the border (paragraph 2.13, 2.14, 3.22 and Figure 5).

17 To avoid a long period of sub-optimal border functioning following a ‘no deal’ scenario, the government will need to address some significant issues. Government’s assumption that the risks will not change materially on day one is reasonable in the short-term but organised criminals and others are likely to be quick to exploit any perceived weaknesses or gaps in the enforcement regime. This, combined with the UK’s potential loss of access to EU security, law enforcement and criminal justice tools, could create security weaknesses which the government would need to address urgently. For example, in September 2018 the National Crime Agency said that any loss of access to shared EU tools and databases would mean the UK’s response to crime would be more fragmented and less effective. After day one, government will need to respond to new and emerging risks and develop its approach to effectively deploying resources to address these risks (paragraphs 2.13 to 2.16 and Figure 5).

18 To manage potential disruption at the border after 29 March 2019, government departments have begun civil contingency planning. In the event that member states apply third country controls to imports from the UK, there will be a significant impact on the flow of traffic crossing the border. The BDG is working with departments and the Cabinet Office’s Civil Contingencies Secretariat to put civil contingency plans in place. Plans are progressing to cope with issues such as queues of traffic in Kent, and to enable the continued supplies of essential goods and medicines (paragraphs 2.20 to 2.23).
Conclusion

19 Effective management of the border is critical for the UK after it leaves the EU. It is fundamentally important to our national security, economy and international reputation. Leaving the EU will trigger some important changes to how the border is managed, but making such changes is not easy. It requires significant effort and the coordination of large numbers of organisations, many parts of government and millions of border users.

20 If the government reaches a withdrawal agreement with the EU, industry and government will have until December 2020 to design and implement any new arrangements. This could involve significant work, such as the implementation of new customs arrangements, and the time available to meet these challenges is not long compared to many complex government programmes. However, the scale of this change will be nowhere near that required if the UK and the EU cannot reach an agreement.

21 If there is no withdrawal agreement, the government has recognised that the border will be ‘less than optimal’. We agree with this assessment, and it may take some time for a fully functioning border to be put in place. Individuals and businesses will feel the impact of a sub-optimal border to varying degrees. The government is putting in place coping responses where it can. How effective they will be remains to be seen.
Part One

The significance of the border in the context of EU exit

The different scenarios under which the UK may leave the EU

1.1 On 29 March 2019, the United Kingdom (UK) is set to leave the European Union (EU). The government is preparing for when the UK-EU relationship changes and the EU begins treating the UK as a non-member state and a third country for the purposes of EU law. The government is currently negotiating the terms of the withdrawal and the text of a document setting out a framework for the future UK-EU relationship. Departments are planning on the basis that these negotiations will be successful, and a ‘deal’ is reached. Departments are also planning should the UK leave the EU with ‘no deal’.

1.2 If the government reaches an agreement with the EU, it will prepare to present a motion to the UK Parliament to approve, or reject, the agreement and future framework document. If Parliament approves this motion, the European Union (Withdrawal Agreement) Bill will be brought forward. The European Commission will also present the agreement to the European Parliament for ratification. If no agreement is reached, or if the UK or EU Parliaments do not accept the agreement, the UK will leave the EU on 29 March with no ‘deal’ in place (‘day one of no deal’).

1.3 If the UK leaves the EU with an agreement in place, as the government intends, then negotiations will begin on the treaties that will establish the future relationship after 2020. The detail of the UK-EU relationship will be negotiated after the UK has left the EU in March 2019. These negotiations are expected to cover areas such as trade and economic cooperation, security and law enforcement.
The nature of the border

1.4 In 2017, we set out the findings of our previous work on the border to help inform Parliament and key stakeholders in advance of the UK’s exit from the EU. We showed that the UK border is a complex concept. It can be crossed by people or goods coming into or leaving the UK by air, sea or land at more than 270 recognised crossing points.\(^1\) People crossing the border need paperwork, which must be checked on entry, and goods may also require supporting documentation. However, in other cases, the interaction with the ‘border’ may be virtual, with decisions about whether to allow travel made in advance of the journey and in certain circumstances, no supporting paperwork is required at all. Border controls operate both inside and outside the UK. For example, under the Treaty of Le Touquet, the UK’s border immigration control for entry at Dover is carried out in France. Figure 1 overleaf shows a high-level depiction of the border and flows across it.

1.5 We reported that government departments are using data better and have had some success in improving border services. However, we also reported on a number of long-standing issues in border management that could create challenges as the UK leaves the EU. We highlighted that departments still used outdated technology, some border processes remained manual and there were significant gaps in data. We noted that managing the border effectively meant that departments had to manage:

- an increase in border crossings, consistent with a trend to more mobility (see Figure 2 on page 15);
- 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.

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Figure 1
The UK border is crossed at many locations for many purposes

United Kingdom
- More than 270 recognised crossing points at airports, sea ports and the channel tunnel.
- Border Force staff in 140 locations around the UK.

European Union
- 208m tonnes of freight; 19m passengers.
- 0.5m tonnes of freight; 165m passengers.
- 23m tonnes of freight; 21m passengers.
- UK government border officials operate in France and Belgium at juxtaposed controls.

Ireland
- No major checks in operation at the estimated 208 public road and unknown number of private road border crossings between Northern Ireland and Ireland.

Rest of the world
- 172m tonnes of freight.
- 2m tonnes of freight; 77m passengers.

Notes
1. All data points are 2017 figures.
2. Sea freight data are taken from the Department for Transport’s (DfT) Port Freight statistics, Table PORT0204, and relates to both inbound and outbound movements.
3. Sea passenger data are taken from DfT’s Sea Passenger statistics, Table SPAS0103, and relates to both inbound and outbound movements.
4. Air freight and passenger data are taken from the Civil Aviation Authority’s Airport Data 2017, Tables 10_1 and 14, and includes both inbound and outbound flights.
5. Train passenger and freight data are published by Eurotunnel.

Source: National Audit Office analysis of departments’ and other data
Figure 2
Goods and people crossing the UK border, 2007–2017

Increasing passenger arrivals and demand for imported and exported goods

Value of imports and exports (£m)

Passenger arrivals (m)

- 500,000 - 450,000 - 400,000 - 350,000 - 300,000 - 250,000 - 200,000 - 150,000 - 100,000 - 50,000 - 0


- 140 - 120 - 100 - 80 - 60 - 40 - 20 - 0

Notes
1 Total imports in 2017 of £476 billion, comprising £259 billion imports from the EU and £217 billion imports from the rest of the world. Total exports in 2017 of £339 billion, comprising £164 billion exports to the EU and £175 billion exports to the rest of the world. Total EU trade was worth £423 billion and total rest of the world trade was worth £392 billion in 2017.
2 Import and export values are figures for trade in goods from the Office for National Statistics, Pink Book 2018, table 9.4.

Source: Home Office and Office for National Statistics
The government departments and other stakeholders with a role at the border

1.6 There are a wide range of government departments and agencies with policy and operational responsibilities at the border, which have to manage several, sometimes competing, objectives. These include maintaining the flow of trade and tourism, ensuring citizens are safe and the country secure, and ensuring that people and goods crossing the border comply with legislative requirements.

1.7 Departments and agencies with border responsibilities include the following:

- Border Force is the part of the Home Office responsible for securing the border and managing the flow of people and goods, and delivers interventions on behalf of a number of other government departments.

- HM Revenue & Customs (HMRC) is responsible for collecting tax and duties, and processing customs declarations on trade outside the EU. HMRC currently collects around £40 billion at the border and processes more than 55 million customs declarations each year. Border Force undertakes enforcement work at the border for HMRC, on behalf of the Chancellor of the Exchequer.

- The Department for Environment, Food & Rural Affairs (Defra), the Food Standards Agency and the devolved administrations are responsible for controlling imports and exports of live animals and animal products into and out of the UK. This includes undertaking checks on all such goods that are traded with countries outside the EU. Border Force also undertakes some checks at the border on behalf of Defra.

- The Department for Transport has fewer responsibilities for the border. It manages the impact on transport resulting from any new border processes.

1.8 A wide range of private sector stakeholders also have important roles at the border, including:

- carriers such as airlines, ferry and shuttle providers, who manage the services that take people and goods into and out of the UK;

- ports, airports, Eurotunnel and other entry points that provide the facilities used by the people, and businesses supplying goods, which cross the border to access transport services, and the space for government bodies to implement the required controls; and

- businesses involved in international supply chains, including hauliers, fast parcel operators/couriers, freight forwarders and customs agents.

2 Including the Department of Agriculture, Environment and Rural Affairs in Northern Ireland and Food Standards Scotland.

3 Eurotunnel has told us that it is a land-based transport system and is not, technically, a port. However, it shares many of the same characteristics as a roll-on, roll-off (RO/RO) port.
The implications of EU exit

1.9 Membership of the EU allows free movement of goods, services, capital and people across member states. The government intends that the UK will leave the customs union and single market when the UK leaves the EU. The government has stated that this would mean the end of the free movement of people between the EU and the UK. The Common Travel Area (CTA) between the UK, Ireland, the Isle of Man and the Channel Islands would be maintained. The UK government’s preferred future economic partnership with the EU would seek to minimise any additional requirements for controls or checks on goods at the border, for example on food products, or for customs purposes.

1.10 If the UK leaves the EU with ‘no deal’ on 29 March 2019, or at any stage thereafter, then trade between the UK and the EU would be governed by World Trade Organization (WTO) rules including the principle of ‘most favoured nation’. This principle requires non-discrimination between trading partners and the consistent application of customs checks, tariffs and non-tariff barriers to trade. This could mean that the UK needs to upgrade or replace important systems operating at the border where these are provided by, or rely on data from, the EU. It could also mean changing the nature of the enforcement work required, which could have resource and infrastructure implications for the government bodies with operational responsibilities at the border. Figure 3 overleaf sets out the types of checks that a trader crossing from the EU into the UK might be subject to in a ‘no deal’ scenario under WTO rules compared with the present day.

The scope of this report

1.11 The purpose of this report is to assess how prepared government and departments are at the border for EU exit. The report is based on information available up to 19 October 2018. In Part One we set out the significance of the border in the context of EU exit. In the remainder of the report we:

- set out the basis on which the government has planned for the changes that may be required at the UK border and their potential impact (Part Two); and

- assess whether departments are on track to deliver the changes to systems, infrastructure and resources that they believe are required before the UK leaves the EU (Part Three).

1.12 In this report we refer to departments and agencies with border responsibilities as ‘departments’. We use ‘government’ to describe ministers and the centre of government who are making decisions and carrying out UK-EU negotiations.
Figure 3
A user journey under existing European Union (EU) membership and under World Trade Organization (WTO) rules

**Trade within the EU under existing EU membership**

- Goods sold from one business to another.
  
- Haulier hired to transport the goods.
  
- If shipping certain plants, animals, or animal products, business must declare them to the Department for Environment Food & Rural Affairs (Defra).

**Haulage**

- Business makes a customs declaration before they cross the border – HM Revenue & Customs (HMRC) expects a 205 million increase in the number of declarations, and up to 250,000 traders to make declarations for the first time.

- In certain circumstances, businesses may need to make declarations for excise goods or goods in transit.

- Businesses may employ an agent to make declarations on their behalf.

- If not, they may need to invest in new systems, staff, and updates to business processes, and register for an Economic Operators’ Registration and Identification (EORI) number with HMRC.

**Border crossing and checks**

- In order to move goods across the border, hauliers may need to apply for a licence from the UK and the EU.

- They will also need to make a safety and security declaration to HMRC about their load (where accompanied) in the upgraded Import Control System (ICS).

**Decision to ship goods by boat or shuttle.**

- May declare the details of the load to the carrier in advance for security purposes.

**Goods shipped to the UK via ferry or shuttle operator.**

- On arrival at the border (after crossing in most cases but before at points with juxtaposed controls), the driver’s personal details will be checked, and some security checks may be undertaken on the load, by Border Force.

- Carriers may need to make a safety and security declaration to HMRC about their load (where goods are unaccompanied) in the upgraded ICS.

- HMRC will need to process customs declarations as goods are en-route and identify goods for physical checks by Border Force.

- Defra may need to enforce compliance with plant/animal health and food and product safety regulations.

- Other government departments may also need to increase the number of checks undertaken, for example for product safety.

- Operators at entry/exit points may need to put infrastructure in place for an increased volume of government checks.

- Government will need to consider the need for inland checking facilities where this cannot be accommodated at entry/exit points – this may mean a change to the current model at ports with juxtaposed controls where checks are currently undertaken outside the UK.

- Business may need to pay duties, but this could be suspended under certain conditions.

**Additional steps for trade with EU under WTO rules**

- Delivery made on completion of checks.

**Notes**

1. Economic Operator Registration and Identification (EORI) scheme is a European Union initiative that supports traders’ communication with customs officials when they are exporting and importing goods. Traders are able to register for an EORI number that can be used in communications with customs authorities.

2. The Import Control System is a European Union system that HMRC uses to record and risk assess security declarations made by traders in advance of bringing goods into the UK. See Appendix Three, ‘HMRC - UK Safety and Security’.

Source: National Audit Office
Government and departments’ plans for the changes at the border

2.1 In whatever scenario the United Kingdom (UK) ends up leaving the European Union (EU), the UK government, departments and others will need to make changes in relation to the border. This part considers:

- how departments have identified the changes that may be required at the border and are planning for these;
- the assumptions on which departments are basing their plans;
- how departments are adapting their plans to the government’s proposed new customs arrangement; and
- the approach that departments are taking to civil contingency planning.

2.2 Departments’ planning for the border should be seen in the context of the unique circumstances of EU exit. The uncertain environment, and the potentially high number of changes needed, mean that departments are implementing a large number of major changes in a short period of time. This is an approach that organisations would normally avoid. This risk has been exacerbated by delays in negotiations between the UK and the EU, which have reduced the time available to departments to plan and implement new border regimes that might be required. As the negotiations have been further delayed in 2018, there have also been changes in the focus of departments’ planning effort as the likelihood of ‘deal’ and ‘no deal’ scenarios has fluctuated.
How government and departments identified the changes required at the border and planned for these

Identification of work streams

2.3 After the referendum decision the Department for Exiting the European Union (DExEU) commissioned departments to identify issues that would impact the border in a range of scenarios, both from a policy and operational standpoint. As at August 2018, DExEU assessed that of the 319 exit-related work streams across government, 95 related to the border to a greater or lesser extent. These vary from designing and implementing large IT systems to recruiting staff. Some work streams, such as the introduction of the new Customs Declaration Service (CDS), were already under way and have been adapted to accommodate new requirements arising from EU exit. Others have been specifically designed to address an issue related to EU exit. Often work streams comprise a mixture of elements, including negotiation, legislative changes and the implementation of new systems.

2.4 Departments have designed work streams to address different issues depending on whether there is an agreement with the EU or ‘no deal’. In many cases, the departments anticipate that the issue will be entirely resolved through negotiations and work to resolve it would only be necessary for a ‘no deal’ scenario. In other cases, the issue would need to be resolved under either scenario using the same solution, or departments would need to design different programmes to address a different set of issues under each scenario.

The creation and impact of the Border Delivery Group

2.5 In March 2017, the Cabinet Office created the Border Planning Group, a cross-government oversight group. In July 2017, in recognition of the complexity of border-related issues and the need to make progress in relation to developing plans to manage them, the Permanent Secretary of the Cabinet Office appointed a director general with responsibility for border planning, located within HM Revenue & Customs (HMRC).

2.6 The Director General Border Delivery and her border coordination team initially focused on forming cross-government planning groups and steering groups. These included representatives of traders and operators who could be significantly affected by changes at the border. They used the groups to understand the preparations that departments and others were putting in place and to understand the concerns of industry and other stakeholder groups. They used this information to define the outcomes, such as effective customs arrangements, that departments and others need to put in place for the border to function properly.
2.7 In February 2018, the Infrastructure and Projects Authority reviewed border preparations and noted the need to strengthen and refine the mandate and accountability of the groups involved. In April, the Permanent Secretary of the Cabinet Office responded by expanding and strengthening the director general’s role and creating the Border Delivery Group (BDG). The new remit included understanding each of the potential scenarios; ensuring that all activity that needs to happen at the border is clearly defined, understood and developed; and managing risk associated with border delivery and operations. BDG is hosted by HMRC, reporting jointly to the Chief Executive of HMRC and the Second Permanent Secretary of the Home Office. Departments remained responsible for developing, owning and delivering plans at the border. Figure 4 sets out these responsibilities.

### Figure 4
The responsibilities of the Border Delivery Group and departments

<table>
<thead>
<tr>
<th>Inter-ministerial Group on Borders</th>
<th>Cabinet Secretary and Chief Executive of the Civil Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-government ministerial group, which provides scrutiny and oversight.</td>
<td>Support the Prime Minister and ensure the effective running of government.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Border Planning Group (BPG) and Border Planning Executive Group (BPEG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversee and assure plans for managing the impact of EU exit at the border.</td>
</tr>
<tr>
<td>It is co-chaired by HM Revenue &amp; Customs’ Chief Executive and Home Office Second Permanent Secretary.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department for Exiting the European Union (DExEU)</th>
<th>Border Delivery Group (BDG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides data from departments based on the monthly returns.</td>
<td>Responsible for scoping, planning, coordinating and ensuring delivery of the necessary change plans to ensure the border works effectively after EU exit.</td>
</tr>
<tr>
<td>Team is led by Director General Border Delivery and works across departments.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible or accountable for delivery at the border. Key departments with these responsibilities are: HM Revenue &amp; Customs; Home Office including Border Force; Department for Environment, Food &amp; Rural Affairs; and Department for Transport.</td>
</tr>
</tbody>
</table>

Source: National Audit Office analysis of departments’ documents
2.8 Since its creation, BDG has undertaken some work on all scenarios and locations but has focused its efforts on preparations for ‘no deal’ and at ports described as ‘roll-on, roll-off’ (RORO) such as the Dover ferry port. It has done so because it believes this is the area of the border that will be most severely impacted if there is not a ‘deal’. Using the information collected from departments and industry, BDG has mapped out all of the extra checks and controls that would need to be put in place at the border in the event of ‘no deal’. It has drawn this information together to understand the changes that departments, port operators, and industry will need to put into place before March 2019.

2.9 BDG’s work has led to a clearer understanding across the government and departments of the change that will be required at the border and the issues that will need to be addressed to make those changes. BDG has worked to identify inconsistencies between plans and to identify significant blockers and areas of risk that need to be considered by ministers and senior civil servants. Examples of where its analysis has facilitated a more detailed understanding of issues at senior levels include the impact of the imposition of controls by other EU member states, and the issue of the extent to which traders will be ready for the changes they will need to make in order to transport goods across the border. Despite its work, BDG has not always been able to resolve the most urgent issues quickly. BDG consistently escalated trader readiness as a significant issue that needed to be addressed but sensitivities about communicating plans for ‘no deal’ meant that there was limited communication until August 2018. For example, HMRC originally intended to communicate about CDS with businesses that trade exclusively with the EU in early 2018 but only started communicating in August 2018. This has left much less time for traders to implement any changes which may be necessary.

2.10 BDG has not made progress in every area of its remit and there are some important areas that it has not yet fulfilled. This was due to the volume of work it had to do within the time available, the need to prioritise ‘no deal’ planning, or because of ongoing negotiations. For example, because of the ongoing sensitivity of negotiations, BDG only began its detailed planning work in relation to Northern Ireland in July 2018. BDG was also tasked with creating an end-to-end delivery plan for the border and has initiated this work across a range of scenarios. It has created an end-to-end plan at a high level for ‘day one of no deal’ and has begun to populate a less mature plan for ‘no deal’ over the longer term. However, it has not yet designed an end-to-end plan for the ‘deal’ scenario.

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4 Roll-on, roll-off refers to the way that freight is loaded and unloaded – that is, it is usually driven on or off the ferry or train.
2.11 There is no detailed overarching plan and critical path for the border across government departments. BDG has not attempted to create these, both because of the amount of detail they would contain and because it is not responsible for delivering against the plans. We think BDG’s approach to planning is sensible for a central coordination and planning unit and recognise that BDG has had to collect and analyse a large amount of information in a short period of time. However, if departments had begun work on a detailed plan for the border earlier, BDG could have presented to senior decision makers a more informed view of the dependencies between government programmes, industry changes and the implications of various issues such as delaying communications to traders.

Government’s planning assumptions

2.12 Due to the ongoing UK-EU negotiations, government departments are planning in a highly uncertain environment. Although departments know that the UK intends to leave the EU on 29 March 2019, they do not know in detail how this will impact their border operations. In our October 2017 report The UK border, we noted that government departments may therefore need to make reasonable planning assumptions and take action where necessary to allow the border to be managed effectively from March 2019.\(^5\) Government departments have had to make a series of assumptions to inform the development of work streams for ‘no deal’ and ‘deal’ scenarios and the BDG has helped to bring clarity and consistency to the assumptions on which government is planning. Figure 5 on pages 24 and 25 sets out our summary of the assumptions that are guiding government’s planning and their high-level implications.

2.13 In the event of ‘no deal’, departments accept that border operations will be less than optimal on day one and have acknowledged that all of the necessary systems, infrastructure and people cannot be put in place for day one.\(^6\) The government has not defined what ‘less than optimal’ might mean but this could include delays for goods crossing the border, increased opportunities for tax and regulatory non-compliance and less information to inform checks of people crossing the border. Government will need to respond to new and emerging risks, and develop its approach to effectively deploying resources to address these risks. Departments have not estimated how soon border operations would return to the capability and performance they had before the UK left the EU.

2.14 Two of the key planning assumptions in the event of ‘no deal’ are that the overall risks to the border will not change on day one and that most border users will try to comply with new requirements. In its planning for the border, government has decided to prioritise security and safety; flow of people and goods; and then compliance activity, including the collection of revenue. They assume that most traders will declare the duties that they owe but acknowledge that organised criminals could quickly exploit new vulnerabilities.

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**Figure 5**
Our summary of the assumptions that are guiding government’s planning

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Assumptions</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risks to the border</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘No deal’</td>
<td>Overall risks to the border will not change on day one – government departments will need to manage the same types and intensity of border risks immediately after leaving the EU.</td>
<td>The government’s existing border capability may be sufficient on day one, provided risks related to the border stay the same.</td>
</tr>
<tr>
<td>‘No deal’</td>
<td>Risks to border security would not change in the short term, however any loss of access to EU systems or data would decrease the UK’s ability to identify goods and people that pose a risk to security.</td>
<td>In the event of losing access to systems and data, alternative tools would be required to monitor border security risks.</td>
</tr>
<tr>
<td>Negotiated solution</td>
<td>The negotiated solution scenario is likely to require less overall work to implement, although some aspects may be complex or require several years to implement. Some aspects, such as the final customs and regulatory regimes, are likely to require new border processes and systems. However, these cannot be fully scoped until the negotiations are concluded.</td>
<td>If the changes under a negotiated solution scenario are significant, or are only known in early 2019, then the departments may not have sufficient time to design and fully put in place the new processes before the end of the implementation period on 31 December 2020.</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘No deal’</td>
<td>De minimis arrangements are agreed to keep planes and other forms of transport operating between the UK and the EU. There may be constraints on outbound flows through EU ports as a result of third country checks at the border.</td>
<td>There could be disruption, especially for outbound lorries, depending on the way that EU member states implement third country controls.</td>
</tr>
<tr>
<td>Negotiated solution</td>
<td>Transport agreements with the EU will maintain continuity of transport services. Border processes for after the implementation period will be defined during the UK-EU negotiations.</td>
<td></td>
</tr>
<tr>
<td><strong>People</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘No deal’</td>
<td>Initially, there will be minimal or no change to the requirements for people crossing the border – all scheduled arrivals, including EU nationals, will continue to be checked as they are now. The Common Travel Area will continue to operate without change.</td>
<td>No changes are initially expected. Changes may happen over the medium term to align with the UK’s new policy on immigration, which is being developed currently.</td>
</tr>
<tr>
<td>Negotiated solution</td>
<td>All scheduled arrivals, including EU nationals, will continue to be checked as they are now. The Common Travel Area will continue to operate without change.</td>
<td>No changes are initially expected.</td>
</tr>
<tr>
<td></td>
<td>There may be changes to the requirements for people crossing the border who wish to study, work or live in the UK at the end of the implementation period. These are to be defined during the UK-EU negotiations.</td>
<td>Depending on the future arrangements, border officers may require access to relevant employment and education information for some arrivals.</td>
</tr>
</tbody>
</table>
**Figure 5 continued**

Our summary of the assumptions that are guiding government’s planning

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Assumptions</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘No deal’</td>
<td>There is not enough time to build any significant new infrastructure for day one in Great Britain. There will be no infrastructure at or near the border between Ireland and Northern Ireland at any stage.</td>
<td>It will not be possible to fully enforce a new border regime that requires additional infrastructure (for example, extra border inspection posts for customs or sanitary inspections of plants or plant-related products).</td>
</tr>
<tr>
<td>Negotiated solution</td>
<td>The government has committed that there will be no ‘hard border’ between Northern Ireland and Ireland, and no physical infrastructure at the border or related checks and controls.</td>
<td>Negotiations with the EU regarding the Northern Ireland Protocol to the Withdrawal Agreement and overall future framework are ongoing.</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘No deal’</td>
<td>Border users are motivated to, and will try to, comply with new requirements.</td>
<td>There may need to be substantial support for border users, particularly for those who are engaging with border processes for the first time.</td>
</tr>
<tr>
<td><strong>Prioritisation in the event of disruption</strong></td>
<td>In the event of disruption on day one, the government will prioritise security and safety and then the flow of people and goods. The government’s third priority will be compliance activity, including the collection of revenue.</td>
<td>Traders and others may not pay all revenue that they may owe or comply with regulatory requirements. This could increase risk in relation to the £40 bn of revenue collected on border transactions comprised of VAT (£30bn), customs duty (£3bn) and excise duty (£6bn) which is currently collected. If the UK decides to apply tariffs to EU imports under a ‘no deal’ scenario then the figure could be higher.</td>
</tr>
<tr>
<td><strong>Changes over time</strong></td>
<td>Border operations will adjust over time to meet the challenges of the new environment but new arrangements will be needed for some ports. Ports that currently deal with significant volumes of goods from non-EU countries will be able to scale up to meet the new demands. However, special arrangements will be required for those ports that currently deal with a high volume of EU goods that have a high requirement for timely transits (such as roll-on, roll-off ferry ports).</td>
<td>The government will need to respond with agility to the new environment. People and goods crossing the border could be delayed if existing infrastructure and controls cannot scale up to meet an increase in demand.</td>
</tr>
<tr>
<td><strong>EU member state controls</strong></td>
<td>EU member states will apply third country controls to imports from the UK.</td>
<td>Border flows may be significantly compromised if member states impose controls; the government has planned a civil contingency response to manage this possibility.</td>
</tr>
</tbody>
</table>

**Notes**

1 This figure presents our analysis of the key assumptions that are guiding government’s planning for the border. We have only included those assumptions that we assess will have a direct effect on the operation of the border. There may be other assumptions that have a smaller impact on the border which we have not included.

2 If the UK leaves the EU with an agreement in place, as the government intends, then negotiations will begin on the treaties that will establish the future relationship after 2020. The negotiated solution assumptions in this figure are based on government’s current view of the ‘deal’ it wishes to achieve. These assumptions are likely to change as negotiations proceed.

3 Figures do not sum to £40 billion due to rounding.

4 Import VAT collected in 2017-18 was £30.3 billion, as reported in HM Revenue & Customs (HMRC’s) Value Added Tax bulletin, released 20 July 2018.

5 Customs duty collected in 2017-18 was £3.2 billion, as reported in the HMRC Trust Statement.

6 HMRC does not routinely report information on the geographical split for excise duty receipts, therefore £6 billion is an estimate based on the figure reported by HMRC in January 2016 for excise duty collected on imports and the increase in total excise duty receipts over that period.

Source: National Audit Office analysis of published government statements and Border Delivery Group documents
2.15 In regard to border security, the Home Office believes that ‘no deal’ would present both risks and opportunities. In relation to goods, the additional checks and declarations required would present an opportunity to improve border security in the longer term. However, in relation to people it would lead to a weakening of border security. The UK intends to negotiate continued access to EU security, law enforcement and criminal justice tools when the UK leaves the EU. Without these, there would be less information at the border on which Border Force and other operational partners can act to identify and intercept both people and goods that pose a risk to security. The Home Office is considering how it might be able to mitigate some of the effects of losing access to these tools but believes that even if all mitigating actions are put in place, UK capabilities will still be reduced if there is ‘no deal’. For example, in September 2018 the National Crime Agency said that any loss of access to shared EU tools and databases would mean the UK’s response to crime would be more fragmented and less effective.\(^7\) Alternative non-EU mechanisms do not exist for all tools and even where they do, in the view of the Home Office, in many cases they are less effective.

2.16 Little change is initially expected in the way people travel across the border. Under a ‘no deal’ scenario, all scheduled arrivals will continue to be checked as they are now. Under a ‘deal’ scenario, the government’s intention is that EU citizens will continue to be able to move, live and work on the same basis as now up until the end of December 2020. After then, it intends to introduce new arrangements. EU migration will be brought under UK legislation through the Immigration Bill, but the Home Office and Parliament have yet to fully determine the UK’s future system of immigration.

**New customs arrangement**

2.17 In July 2018, the government proposed a new customs and compliance model for agreement with the European Commission. This included a Facilitated Customs Arrangement that would remove the need for checks and controls between the UK and the EU by treating them as if they were in a combined customs territory. This replaced the Highly Streamlined Customs Arrangement and New Customs Partnership models that were proposed by the government in August 2017 and which HMRC had previously been designing.\(^8\) No such system has previously been implemented anywhere in the world. HMRC has planned on the basis of putting in place an interim capability by the end of the implementation period.

2.18 At the time of our fieldwork in August 2018, departments had started to revise their planning to reflect the Facilitated Customs Arrangement but were not yet in a position to provide us with any detailed plans. Similarly, our case study visits to ports and the Eurotunnel found that they were not yet preparing for the end of an implementation period because there was a lack of certainty on whether a ‘deal’ would be agreed and what it would mean for the border.

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2.19 Since our fieldwork, negotiations with the EU have been ongoing. However, this model may be subject to changes, or could be replaced by other proposals, depending on the outcome of negotiations. HMRC is unable to complete design work on the future customs model until there have been further negotiations with the EU. HMRC has previously estimated that it could take up to three years to implement a new model from the time when there is certainty about a decision.9

The approach that government is taking to contingency planning

2.20 The government has acknowledged that if the UK leaves the EU without a negotiated solution on 29 March 2019, it is highly likely that member states will apply full customs and agri-food controls to UK goods entering the EU. Government departments have started to prepare contingency plans to minimise the impact of disruption should it arise.

2.21 In May 2018, the Cabinet Secretary tasked the Civil Contingencies Secretariat (CCS) in the Cabinet Office to support and coordinate civil contingency planning for EU exit. CCS is increasing its resourcing and working with departments to provide expert input into plans. It has broken its overall approach into 12 contingency work streams, of which, BDG is leading on two: disruption of goods and disruption of people at the border. CCS is working with departments to ensure contingency planning is informed by the latest planning assumptions and understanding of potential impacts. BDG has been working with partner organisations across government since June 2018 to model potential events and prepare contingency plans, which are being discussed with officials and ministers.

2.22 The government currently expects that, if the likelihood of a ‘no deal’ scenario increases over the autumn of 2018, then contingency operations could start from January or February 2019. This could include escalating planning for the priority delivery of vital supplies such as food and medicine. The government is also expecting businesses to develop contingency plans and has produced the first three batches of a planned series of communications (technical notices) to help businesses prepare for a ‘no deal’ Brexit.10 These were intended to support early planning by organisations and individuals. Further information, including specific actions that should be taken, will be published in due course.

2.23 One of the government’s key contingency requirements is to manage any traffic impacts in Kent if ferry or rail services are disrupted, so as to reduce impacts on the road network, the economy and local communities. Project Brock is an interim solution specifically for EU exit that aims to hold up to 1,900 coast-bound lorries on the M20 motorway while allowing non-port traffic to continue to move in both directions. The Department for Transport plans to take the decision to implement Project Brock at the end of February 2019. It will take between two and three weeks to put in place the contraflow infrastructure and then can be switched on within a few hours.

10 Government guidance for businesses and the public about how to prepare can be be found at: www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal.
Part Three

Departments’ progress in making changes before the UK leaves the EU

3.1 As set out in Part Two, departments and others need to make a significant number of changes if the border is to operate effectively after the United Kingdom (UK) leaves the European Union (EU). This part considers:

- the progress departments have made with regard to putting in place the changes that may be required in relation to the border;
- the degree to which traders and businesses have been able to implement the changes they may be required to make; and
- the most complex issues that remain to be addressed.

3.2 The Border Delivery Group (BDG) is focusing its monitoring on the most complex work streams that are at the greatest risk of not delivering on time. It obtains information on these work streams primarily through having a presence on programme delivery boards, through review of detailed department plans and engagement with departments. For this report, we reviewed 20 of these border-related work streams. Appendix Three sets out a summary of the work streams and related issues.

Departments’ progress in implementing changes at the border

3.3 The majority of the changes required at the border relate to ensuring that there are:

- effective computer systems in place to collect revenue and information;
- sufficient numbers of trained people to operate the border; and
- sufficient supporting infrastructure to enable compliance activity to take place.

This section sets out our assessment of the progress that departments have made in implementing these changes.
Systems and information

3.4 Departments currently use information that is stored in a range of systems to help enforce the border. Border officers use this information to allow appropriate border crossings to be made, to make judgements about risk and then to target their enforcement activity. Exiting the EU could result in departments having limited or no access to some of the key EU systems they currently use. Where loss of EU systems is anticipated, departments are therefore replacing existing EU systems or designing new systems or new ways of working to address the gaps in information that leaving the EU, particularly in a ‘no deal’ scenario, could create.

3.5 Each month BDG reviews departments’ progress in developing key border systems. These vary in their size and significance but BDG judges all to be critical and complex. Most of these systems are being delivered by HM Revenue & Customs (HMRC). In September 2018, BDG assessed that 11 of the 12 systems it monitors were at risk of not being delivered on time and to acceptable quality by 29 March 2019 (rated ‘amber’ or above), see Figure 6 on pages 30 and 31. The key risks and issues include:

- **Uncertainty about, or late agreement of, the system requirements or design.** For example, the design for the system HMRC plans to use for binding tariffs was agreed in late August 2018, subject to questions about integration and security. This system will provide traders with tariff classifications of their goods.

- **Insufficient time due to delays in legislation/policy decisions.** For Tariff Application, legislation may not be approved on time and there may be insufficient time for tariff and quota measures to be ready if there is late agreement on policy. HMRC and the Department for International Trade are working on contingency arrangements.

- **Lack of time to prepare businesses for change.** While the replacement system for Trade Control and Expert System (TRACES), which allows the UK to monitor high-risk animal products coming into the UK, is largely on track, BDG has raised concerns about the challenges of engaging stakeholders and ensuring businesses and customers are prepared for the new system.

- **Dependencies on other systems being ready.** Seven of the most critical systems have interdependencies with the Customs Declaration Service (CDS) and/or its legacy system CHIEF (Customs Handling of Import and Export Freight); where one system is reliant on another and both must be ready on day one for the border to operate as planned.\(^\text{11}\)

- **Insufficient time to deliver the change.** For example, HMRC is not certain whether it will be able to deliver the full capability and infrastructure for the Common Transit Convention (CTC) project within the required timeframe, and there are increased risks around delivery and testing for CDS.

\(^\text{11}\) CHIEF, an existing system, is the contingency system for handling customs declarations in the event that CDS is not ready on time.
## Figure 6
### Key systems projects monitored by the Border Delivery Group (BDG)

<table>
<thead>
<tr>
<th>Project</th>
<th>System</th>
<th>BDG risk rating of project as at September 2018</th>
<th>Summary of position on risk as at September 2018 drawn primarily from BDG’s assessment as at 10 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports of animals and animal products (Trade Control and Expert System – TRACES replacement)*</td>
<td>TRACES replacement</td>
<td>Amber-Red</td>
<td>There is a large challenge in engaging stakeholders and ensuring businesses/customers are ready.</td>
</tr>
<tr>
<td>Automated Licence Verification System³</td>
<td>Automated Licence Verification System (ALVS)</td>
<td>Amber</td>
<td>This system needs to be tested to ensure throughputs to and from the Customs Handling of Import and Export Freight (CHIEF)/ the Customs Declaration Service (CDS) work with TRACES replacement.</td>
</tr>
<tr>
<td>Tariff Application¹</td>
<td>Tariff Application (TAP)</td>
<td>Amber-Red</td>
<td>The main risk is that the system depends on CDS, or an upgraded CHIEF, being ready on time. There is also a risk that legislation may not be approved on time and there may be insufficient time for tariff and quota measures to be ready if there is late agreement on policy. HM Revenue &amp; Customs (HMRC) and the Department for International Trade (DIT) are working on contingency arrangements to ensure late policy decisions can be accommodated in the system.</td>
</tr>
<tr>
<td>UK Trade Remedies³</td>
<td>Trade Remedies</td>
<td>Amber-Green</td>
<td>System development is broadly on track although the system go-live depends on the DIT’s ability to recruit and train staff before October 2018.</td>
</tr>
<tr>
<td>Transit⁴</td>
<td>Transit</td>
<td>Red</td>
<td>HMRC is unsure whether it can deliver the full capability and infrastructure for the Common Transit Convention (CTC) project by March 2019. Discussions to accede to the CTC are ongoing. Work on the National Transit (NT) system has been stopped to enable resources to be focused on delivering the requirements for accession to the CTC, which puts both the CTC and NT at risk.</td>
</tr>
<tr>
<td>Freight (non-inventory linked)⁵</td>
<td>Roll-on, roll-off (RORO)</td>
<td>Amber-Red</td>
<td>This involves a complex set of requirements and ensuring all government agencies have access to key data and that the process is understood by ports, operators, hauliers, etc. Requirements are still not agreed by stakeholders and a review is underway.</td>
</tr>
<tr>
<td>Northern Ireland border⁴</td>
<td>VAT, Customs, Excise</td>
<td>Red</td>
<td>This project’s requirements need to be signed off by ministers and adaptations made to CDS and/or CHIEF to accommodate them. Changes are already being made. There is a risk that cross-government sign-off means some changes must be modified. Also, there is a risk that unanticipated late changes cannot be made in time.</td>
</tr>
<tr>
<td>EU Risk &amp; Response, Import Control System (ICS)³</td>
<td>Safety and Security</td>
<td>Amber-Red</td>
<td>The system is being moved to a remote system to facilitate extra capacity, with migration planned for January 2019 although this could be affected by technical resource pressures in HMRC.</td>
</tr>
<tr>
<td>Excise⁷</td>
<td>Excise Movement and Control System (EMCS)</td>
<td>Amber-Red</td>
<td>There is a critical dependency on CDS and/or CHIEF to deliver export functionality and challenges relating to business readiness.</td>
</tr>
<tr>
<td>Parcels (Import and VAT)³</td>
<td>Parcels (Import and VAT)</td>
<td>Amber-Red</td>
<td>A number of policy exceptions have been identified that require function and process changes. HMRC is not certain these can all be legislated for by March 2019. There is also concern about the size and scope of activities required with overseas businesses and intermediaries.</td>
</tr>
</tbody>
</table>
3.6 We reviewed these programmes and found significant dependencies between them, which magnify the overall risk of the government’s border preparations. As Figure 7 on pages 32 and 33 shows, the cumulative delivery risk arises because many of the programmes to replace or upgrade border capability are dependent on the success of other border programmes. For example, the smooth functioning of customs and the border requires the TRACES replacement system to be implemented by the Department for Environment, Food & Rural Affairs (Defra) on time to allow CDS and/or CHIEF and border officials to process customs declarations for goods of animal origin.

3.7 If departments fail to implement all these systems on time then the overall border will not function as intended and departments will need to implement contingency arrangements. Such arrangements could be to upgrade the functionality and capacity of existing systems such as the CHIEF customs system, which HMRC is currently doing, or they could be to revert to paper-based systems, or, the government has stated, to take the risk at the border.
Figure 7
Cumulative delivery risk for border systems requiring change in the event of ‘no deal’

Dependencies
- Medium compound risk. Connects projects with deliverability rated Amber or Amber-Green with projects rated Amber-Red.

Department for Environment, Food & Rural Affairs (Defra)

System delivery risk rating
- Red – Successful delivery of the project/programme appears to be unachievable. There are major issues which at this stage do not appear to be manageable or resolvable. The project/programme may need re-baselining and/or overall viability reassessed.
- Amber-Red – Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.
- Amber – Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
- Amber-Green – Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
- Green – Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.
3.8 Although it is not unusual for departmental systems to require input from systems elsewhere in government, it is unusual for so many connected systems to be upgraded or changed at the same time. The timelines of implementing EU exit, however, require many changes to be made simultaneously. The result is a multiplication effect where one programme which is at-risk of not delivering is reliant on another at-risk programme and the cumulative risk of the border not functioning as intended is increased.
Customs systems

3.9 One of the most critical border systems is HMRC’s CDS. HMRC had started the work to implement CDS before the EU referendum in June 2016. However, as a result of the UK’s decision to leave the EU, HMRC lost significant time contingency, and estimates that CDS might need to handle 260 million customs declarations each year compared with the current annual figure of 55 million, and between 145,000 and 250,000 traders may have to make customs declarations for the first time. We have previously reported on HMRC’s progress with implementing CDS and its contingency option using the existing CHIEF system. In June 2018 we concluded that HMRC has taken steps to mitigate risks but that significant challenges remain, and there was a risk that CDS would be unable to fully replace CHIEF by January 2019. In this context, we concluded that it was positive that HMRC had accelerated its work on a contingency option in case CDS is not ready on time. In recent evidence to the Committee of Public Accounts, HMRC confirmed that the release of the CDS export functionality had been delayed and would now not be ready until March 2019 at the earliest, further highlighting the importance of its work to expand and extend CHIEF.

Resources

3.10 Officials from government departments and agencies operate directly at the border undertaking compliance checks and away from the border in administrative, intelligence and support roles. Most officials with border-related roles are from Border Force and HMRC although HMRC has no physical presence at the UK border.

Border Force

3.11 Border Force is the part of the Home Office responsible for securing the border and managing the flow of people and goods, and delivers interventions on behalf of a number of other government departments. Since 2014-15, Border Force has reduced staff numbers by 7% to an average of 7,734 in 2017-18. Over the same period, demands on Border Force have risen because of increases in the flow of people (17%) and goods (15%) coming across the border into the UK.

12 In our report The Customs Declaration Service: a progress update, we stated that HMRC’s estimate was that 255 million customs declarations might be made after the UK leaves the EU, in the event of ‘no deal’. HMRC has told us that its current estimate is 260 million.
3.12 Border Force does not have complete information on the compliance regime that it will need to enforce and so has made judgements on the number of staff it needs for EU exit. In February 2018, it asked departments to set out any new or changed requirements that they expected Border Force to fulfil after the UK had left the EU. Due to ongoing uncertainty about the negotiations, departments did not provide Border Force with sufficiently detailed information about the expected compliance regime to allow Border Force to accurately estimate the additional number of staff required. Based on the information it had, Border Force used a mixture of modelling and operational judgement to estimate that 624 additional staff will be needed. However, it recognised that in the event of ‘no deal’, it could require up to 2,000 staff following EU exit once the necessary legislation, infrastructure and systems are put in place to allow a full compliance regime to operate. Due to the government’s planning assumptions and the lack of complete requirements from departments, Border Force will only be required to enforce a reduced compliance regime on ‘day one of no deal’ on behalf of departments such as HMRC and Defra.

3.13 Border Force has developed its estimate of the number of staff it needs. In October 2018, Border Force revised its estimate of the number of operational staff required following EU exit from 624 full-time equivalent staff to 581. This was because it received updated information from HMRC, including on issues such as the requirements for inland checking after EU exit. Border Force recognises that its most recent estimate will not meet long-term needs. While this estimate does include some staff for unquantified requirements, it does not fully provide for all requirements where there is ongoing uncertainty. Border Force expects that as there is greater clarity on the compliance regime that will operate at the border, it may need to increase its staff numbers in the months and years following EU exit.

3.14 In March 2018, recognising that it can take up to 12 months to recruit, security clear and train and deploy staff, Border Force launched a recruitment campaign to recruit up to 1,000 new staff. This number was to fulfil its needs following EU exit and to allow it to replace around 450 staff lost each year due to attrition. This recruitment was supported by a new ‘pipeline’ approach whereby Border Force start the preliminary stages of the recruitment process, while refining the exact number of staff required.
3.15 It will be very challenging for Border Force to recruit, agree employment contracts, security clear and train the staff it plans to recruit by March 2019. Although Border Force has put in place a new ‘pipeline’ approach to shorten the overall time for recruitment and deployment, it still considers that the time to recruit a new starter remains a significant risk to putting in place the staff it needs for EU exit. In August 2018, the Infrastructure and Projects Authority gave Border Force’s preparations for ‘day one of no deal’ an assessment that successful delivery of the project is in doubt with major risks or issues apparent in a number of key areas. As at 8 October 2018, Border Force had made 452 offers of employment, of which 149 had been accepted by potential recruits. Once an offer is accepted, each member of staff must be security cleared.

3.16 Border Force is also establishing a readiness task force of 300 staff, who will be fully trained in all aspects of border operations. This task force is intended to be a mobile and flexible resource that could be deployed to deal with any potential surge in demand at key border points and allow existing staff to attend EU exit awareness training. Border Force originally intended to deploy the readiness task force by October 2018, but delays in recruitment and obtaining security clearance mean that only some of the task force will be deployed by that date. As at October 2018, 273 of the planned 300 staff had been recruited, 157 of these had been deployed with the remaining still to complete pre-employment checks or training. Border Force now expects to have 281 task force staff deployed by the end of December 2018.

Other government departments and agencies and local authorities

3.17 As well as Border Force, other government agencies and local authority teams will require additional staff to operate the border after EU exit. HMRC estimates that it will require 5,454 full-time equivalent staff for EU exit work. It told us that by September it had 2,374 of these resources in place but it still expected to complete resourcing to all of these roles by March 2019. As we reported in September 2018, without an increase in the market’s veterinary capacity, there is a risk that Defra will be unable to process the increased volume of export health certificates it expects if there is no ‘deal’.

3.18 Stakeholders that we spoke with during our case study visits did not have sufficient information on EU exit to start to plan for recruiting additional staff. They may now struggle to arrange funding and recruit any new staff that they may need by March 2019.

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15 Border Force estimates that it can take six to 12 months to recruit, obtain security clearance and train new officers. It is attempting to shorten this time period through a range of options such as faster security clearance and increasing training capacity.

16 The Infrastructure and Projects Authority undertook this review as part of a wider programme of assurance on the government’s EU exit preparations.

17 In our report on security vetting we set out the challenges facing the UK Security Vetting organisation. It undertakes security vetting on individuals on behalf of government departments. Comptroller and Auditor General, Ministry of Defence: Investigation into national security vetting, Session 2017-2019, HC 1500, 7 September 2018.

18 HMRC’s estimate as at September 2018. These roles are in areas such as compliance, policy and support services. The total number includes internal reallocations.

Infrastructure

3.19 In the event that the UK leaves the EU without a negotiated solution, or in any other circumstance where World Trade Organization rules will apply to the transit of goods between the UK and the EU, new infrastructure will be required to enable an effective compliance regime. This will include HMRC developing infrastructure to enable the tracking of goods and Border Force requiring space to examine them. Departments have not yet scoped in detail what new infrastructure they might need but Figure 8 overleaf sets out the major types of infrastructure that would be likely to be required.

3.20 Departments are planning on the basis that there is insufficient time to build significant new infrastructure before 29 March 2019. It could take up to three years to put new infrastructure in place because ports, airports and other border crossing point operators, which are responsible for funding infrastructure to deliver the border compliance regime, will need certainty about how the border will operate so that they can access the necessary finance and comply with local and national planning processes.

3.21 Departments are seeking to develop alternative ways of enforcing compliance if there is ‘no deal’ and are planning on scaling up compliance activity over time. If there is ‘no deal’ then HMRC plans to increase its use of ‘trusted trader’ schemes and use of new inland checking facilities.20 HMRC is procuring two new inland checking facilities to target the 50 current highest-risk traders from the rest of the world, replacing the temporary facilities it had already established. If there is ‘no deal’, it will also use these sites for compliance activity relating to high risk EU traders. HMRC does not expect to use these facilities to undertake checks relating to other intelligence-led risks, but they could be used in certain circumstances if required. In addition, HMRC has created a Border Infrastructure Programme to consider the wider physical infrastructure requirements at the border, both in the event of ‘no deal’ and in the event of a negotiated solution. The programme is looking at long-term requirements as well as any critical gaps that will exist in March 2019 if there is no ‘deal’.

3.22 Exports to the EU of animals and animal products may need to pass through a border inspection post on the EU side of the border if the UK leaves the EU without a ‘deal’. Most of the UK’s export trade currently travels via either the Irish border or the short Channel routes where there are no border inspection posts. Traders would therefore need to alter their routes to the EU market if these border inspections are required and no border inspection points are put in place. Defra does not intend initially to introduce any checks on products arriving from the EU.21 It is developing a longer-term checking and controls regime for imports of animals, plants and their products. It intends to present its initial proposals to ministers in late 2018.

20 Trusted traders are a risk-assessed group of traders that are authorised to make customs declarations under simplified arrangements.

21 Defra plans to continue the existing levels of checking on regulated plants and plant products but may change how and where this happens.
Figure 8
Additional infrastructure required to support effective border operations under World Trade Organization rules

General infrastructure at major border crossing points:
- Access roads, parking and hard standing.
- Examination sheds.
- Offices and facilities.
- Signage.
- Traffic control measures in the event of congestion.

For customs, and EU goods transiting the UK:
- Temporary storage facilities.
- Customs and customs clearance facilities at the border.
- Customs and customs clearance facilities away from the border.
- Offices for managing EU goods transiting the UK.¹

For agri-food controls:
- Appropriate systems and processes to allow inspections of animals and animal products to take place, which may be similar to the inspections that currently take place at Border Inspection Posts.²

Notes
¹ EU law allows goods to be moved under temporary suspension of duties, taxes and commercial policies. Even after the UK leaves the EU, this procedure could apply to goods transiting the UK between Ireland and other parts of the EU.
² Border Inspection Posts (BIPs) handle products of animal origin which are being imported into the UK from non-EU countries. These products must be presented at a BIP for veterinary checks to be carried out. BIPs are built by individual ports. At present ports have not received sufficient certainty to allow them to invest in additional facilities in response to the increase in demand that may arise from EU exit. Currently, the Department for Environment, Food & Rural Affairs has no plans to intervene in this market.

Source: National Audit Office analysis of Border Delivery Group documents

3.23 Sufficient transport infrastructure leading up to and around border crossing points is critical to support the flow of goods and people across the border. If EU exit results in any changes to the flow of traffic around the UK then changes to transport infrastructure may be required. Departments have assumed that no significant transport infrastructure would be built for day one in the event of ‘no deal’ and longer-term arrangements remain under review.
Trader readiness and business change

3.24 The flow of goods across the border depends on sufficient infrastructure being in place, the exchange of information between transport operators and any required compliance activity being carried out by departments. Critically, it also depends on businesses knowing and complying with their border obligations. For example, businesses need to be:

- well informed, with sufficient knowledge of any new requirements and procedures. For example, businesses need to know what types of declarations they need to make and how to make them. If businesses are not given sufficient time and support to enable them to meet the new requirements by 29 March 2019, this may result in disruption to trade and a subsequent loss of revenue to the UK, increased costs to the businesses and potential disruption at the border;

- capable, with effective processes, systems and supply chains. Additional responsibilities associated with the ‘no deal’ scenario present a particular risk for between 145,000 and 250,000 traders in the UK who have only traded with the EU, and therefore have not had experience of customs declarations or other processes. In addition to the requirements for traders, there are potential pressures on intermediary industries such as freight forwarders or logistics providers. Some traders will also be affected by additional requirements, for example, those transporting animal or plant materials. Many exporters use freight forwarders/customs agents to facilitate the export/import process. However, if all traders in the UK who have only traded with the EU need to complete customs declarations, intermediaries may not be able to meet demand, potentially leaving some traders without the required service. HM Treasury and HMRC have announced plans to provide support to customs intermediaries in the lead-up to March 2019, including an investment of £8 million for training and increased automation; and

- willing, with sufficient opportunities to allow them to meet their obligations. Departments have assumed that most traders will comply with their requirements wherever possible.

3.25 Departments are not yet effectively communicating with traders about the changes that are required. They are aware that successful preparation by traders is dependent on effective and timely communications and have developed a plan to address this. In August 2018, the government began to publish technical notices to inform the public of the preparations that will be required in the event of ‘no deal’. However, these may not, as yet, contain sufficient information for traders to prepare detailed plans or justify investment decisions. In addition, traders and others have had to consider multiple sources of information to understand the preparations they may need to put in place. The government is seeking to develop a single portal pulling together necessary information but this is not yet in place.

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22 Between 145,000 and 250,000 traders is an HMRC estimate.
3.26 There now remains very little time to implement the necessary changes and this situation has been exacerbated by the delays in negotiations. Government papers from July 2018 stated that it was already too late to ensure that all traders were properly prepared for ‘no deal’. Trade organisations we engaged with emphasised the lack of information from departments on what the planned arrangements were in the event of ‘no deal’, particularly regarding tariff arrangements, customs declaration requirements and potential regulatory burdens for sanitary and phytosanitary checks. Without sufficient certainty about what they should be planning for, businesses were unable to model the effects of increased costs, new administrative burdens and changes to supply chains, and were unwilling to make changes that might prove to be expensive and nugatory. At a hearing of the Committee of Public Accounts in July 2018, HMRC stated that it would cost ports a considerable amount of money to put in place appropriate systems to enable the tracking of inventory, and the point at which work should have begun to enable them to be in place by March 2019 had already passed.23

**Uniquely complex border-related exit challenges**

3.27 Exiting the EU poses many unique challenges but two are particularly important in the context of border management:

- ensuring any arrangement respects the Belfast Agreement and meets UK commitments to avoid a hard border, and implements arrangements set out in the Withdrawal Agreement; and

- ensuring ‘just in time’ supply chains are not disrupted through delays at ‘roll-on, roll-off’ (RORO) ports in the event of ‘no deal’.

**The border between Northern Ireland and Ireland**

3.28 The Northern Ireland border is one of the most significant challenges government faces as part of its preparations at the border for EU exit. The border between Northern Ireland and Ireland does not currently have any infrastructure and the border is largely invisible. People and goods can freely cross the border. The border, alongside citizens’ rights and the financial settlement, is a key element of the Withdrawal Agreement to be finalised in autumn 2018. The government has committed that there will be no hard border between Northern Ireland and Ireland and no physical infrastructure at the border or related checks and controls.24 Negotiations with the EU regarding the Northern Ireland Protocol (which includes provisions for the ‘backstop’) to the Withdrawal Agreement and overall future framework are ongoing.

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3.29 The government has not yet taken a policy decision regarding whether and how to implement customs arrangements at the Northern Ireland and Ireland land border in the event of ‘no deal’. However, it has said that it will do everything in its power to avoid a ‘hard border’. Its current internal planning assumptions for ‘no deal’ would aim to take into account different types of business, consider the feasibility of different systems, and ensure the facilitation of cross-border movements.

Roll-on, roll-off services

3.30 Depending on policy decisions taken by government in the event of ‘no deal’, traffic passing through RORO ports would become subject to customs (and other) controls. EU goods enter the UK using RORO ports such as Dover and Holyhead, and also through Eurotunnel. The speed and flexibility of RORO services are integral to the operation of ‘just in time’ supply chains across Europe. For example, hauliers using RORO services across the English Channel can make decisions about the ports of entry and exit just before departure depending on weather conditions and traffic. Pre-notification of goods crossing the border is not required. This movement of goods is fundamentally different from the movement of goods from the rest of the world where carriers pre-notify ports and HMRC about the goods they are carrying. These goods are usually transported in containers over longer distances and unloaded at ports for several days, which provides time for Border Force and HMRC officials to undertake any necessary checks.

3.31 If the UK leaves the EU without a ‘deal’, customs declarations will be required for all EU goods crossing the border using RORO services. The government has not yet determined how this will happen, but currently plans to require the pre-notification of goods before arrival to enable customs declarations to be checked and goods to be inspected if necessary. These changes would be significant for traders and for hauliers. Enforcing this regime at the border will be difficult because any restrictions on the flow of lorries through ports is likely to lead to queuing and subsequent disruption at the port and surrounding area. In addition, there is insufficient space and infrastructure to hold goods, such as refrigerated storage or warehouses, at RORO locations, to enable additional checks.

3.32 HMRC has been engaging with ports, traders and other stakeholders to consider the issues raised at RORO locations, in particular the systems required to allow HMRC to match a customs declaration to the movement of goods for compliance purposes. It initially proposed that RORO locations, and the traders and hauliers that use them, should adopt the same ‘inventory linked’ systems as container ports. Following feedback from stakeholder groups about the significant difficulties that this would pose, HMRC modified its proposal to requiring ports, traders and hauliers to use manual ‘non-inventory linked’ systems. However, some stakeholders still do not believe the proposals are workable and discussions are ongoing. HMRC told us that as well as enforcement happening at the border, they can carry out enforcement elsewhere or at other points in the process. Some stakeholders we interviewed during our visits to RORO locations were concerned that HMRC has been slow to develop new proposals to meet these challenges, although others commented that they had been impressed with HMRC’s willingness to work with industry to try and find a solution to the problem.
Appendix One

Our audit approach

1. This study provides an independent view on the government’s preparedness for EU exit at the border.

2. We developed our own analytical framework to examine government’s:
   - assessment of risks to the border when the UK leaves the EU;
   - plans to manage these risks, for both ‘no deal’ and ‘deal’ scenarios; and
   - progress with implementing its plans.

3. Our audit approach is summarised in Figure 9. Our evidence base is described in Appendix Two.
**Figure 9**

Our audit approach

**The objective of government**

The government’s objective is to be prepared at the border for EU exit. The government is responsible for securing the border in terms of national security, effective trade, tourism, well-managed migration, healthy communities and the environment.

**How this will be achieved**

The government’s management of the border is currently heavily influenced by its membership of the EU. The government has instructed departments to plan on the basis of a ‘deal’ being reached with the EU but has also instructed departments to put arrangements in place in case there is ‘no deal’. In whichever situation the UK leaves the EU there will be implications, for example in terms of the systems, infrastructure and people needed to manage the border.

**Our study**

This report is part of our ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This study examines whether the government is sufficiently prepared at the border for EU exit.

**Our evaluative criteria**

- The government has established and planned for the changes required at the border in the event of ‘deal’ and ‘no deal’ scenarios.
- The government is on track to deliver the changes to systems, infrastructure and resources that it believes are required before the UK leaves the EU.

**Our evidence (see Appendix Two for details)**

- We examined the extent and maturity of the government’s plans by:
  - reviewing governance arrangements;
  - reviewing and analysing departments’ documents; and
  - conducting interviews with key personnel responsible for EU exit preparations within departments.
- We assessed whether the government is on track to implement its plans for the border by:
  - reviewing departments’, delivery plans;
  - undertaking case study visits to ports and an airport; and
  - analysing submissions from stakeholders.

**Our conclusions**

Effective management of the border is critical for the UK after it leaves the EU. It is fundamentally important to our national security, economy and international reputation. Leaving the EU will trigger some important changes to how the border is managed, but making such changes is not easy. It requires significant effort and the coordination of large numbers of organisations, many parts of government and millions of border users.

If the government reaches a withdrawal agreement with the EU, industry and government will have until December 2020 to design and implement any new arrangements. This could involve significant work, such as the implementation of new customs arrangements, and the time available to meet these challenges is not long compared to many complex government programmes. However, the scale of this change will be nowhere near that required if the UK and the EU cannot reach an agreement.

If there is no withdrawal agreement, the government has recognised that the border will be ‘less than optimal’. We agree with this assessment, and it may take some time for a fully functioning border to be put in place. Individuals and businesses will feel the impact of a sub-optimal border to varying degrees. The government is putting in place coping responses where it can. How effective they will be remains to be seen.
Appendix Two

Our evidence base

1. Our independent conclusions on how prepared government departments are for the changes required at the border after EU exit were reached following our analysis of the data we collected. Our fieldwork took place in July and August 2018.

2. We applied our evaluative framework to assess the progress the government has made in implementing the UK’s exit from the EU. Our audit approach is outlined in Appendix One.

3. We examined the extent and maturity of the government’s plans by:
   - Reviewing the governance arrangements for managing risks at the border across government. We also reviewed management information provided to key boards and the Director General Border Delivery;
   - Reviewing Border Delivery Group reports containing information on key risks and updates to critical IT systems;
   - Reviewing and analysing border-related work streams from the Border Delivery Group, the Department for Exiting the European Union and departments with responsibilities at the border; and
   - Conducting interviews with key personnel responsible for preparation at the border across government departments including the Border Delivery Group; HM Revenue & Customs; Home Office including Border Force; Department for Environment, Food & Rural Affairs; Department for Transport; and Department for Exiting the European Union.
4 We assessed whether the government is on track to implement its plans for the border by:

- Reviewing delivery plans for work streams related to the border to understand the nature of the changes required under each scenario; the progress that the government has made in regard to implementing the projects and programmes within the work streams; and the risks relating to these;

- Carrying out case study visits to border crossing points: Heathrow airport, Dover, Holyhead, and Eurotunnel. We selected the case studies based upon our analysis of key risks and issues in the central plans for EU exit. The case studies are not representative of all ports/airports; and

- Analysing submissions from stakeholders in response to the National Audit Office’s call for evidence on EU exit border preparedness. We received several submissions from associations and organisations in the transport and logistics sector that may be affected by changes at the UK border for EU exit.
Appendix Three

The work streams we considered as the basis of the evidence in our report

1 Departments have designed work streams to address different issues depending on whether there is an agreement with the EU or no ‘deal’. In many cases, departments anticipate that the issue will be entirely resolved through negotiations and work to resolve it would only be necessary for a ‘no deal’ scenario. In other cases, the issue would need to be resolved under either scenario using the same solution, or departments would need to design different programmes to address a different set of issues under each scenario. All of the issues listed below would need to be addressed in the case of a ‘no deal’ scenario. In some cases the issues would also need to be resolved under a ‘deal’ but this will depend on the nature of the ‘deal’ that is agreed.

<table>
<thead>
<tr>
<th>Work stream</th>
<th>Issue to be resolved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Business, Energy &amp; Industrial Strategy – Access to market surveillance</td>
<td>The UK relies on EU systems that provide intelligence about non-food goods and dangerous consumer products entering the UK market. Post-EU exit, the UK needs to maintain access to, or replicate, these systems to ensure UK public safety.</td>
</tr>
<tr>
<td>Department for Environment, Food &amp; Rural Affairs (Defra) – Imports of animals and animal products (Trade Control and Expert System – TRACES replacement)</td>
<td>The UK relies on access to the European system TRACES to monitor and control the import of live animals and animal products from third countries. Post-EU exit, the UK needs to develop a replacement system to maintain these controls over imports from third countries and from the EU, as necessary.</td>
</tr>
<tr>
<td>Defra – Exports of animals and animal products</td>
<td>Currently, Export Health Certificates (EHC) are needed for all UK exports of animals and animal products to third countries. Post-EU exit, if they are also needed for EU exports, Defra predicts an increase of up to 300% in demand for EHCs. Defra and the market need to be ready to meet any additional demand.</td>
</tr>
<tr>
<td>Defra – Plant and plant product imports</td>
<td>After leaving the EU, the UK may no longer have regulatory alignment with the EU regarding plants and plant products. If so, third-country plants imported via the EU will need to be checked when they reach the UK. The UK will also lose access to the EU passport system for tracing high-risk plants. This project looks at the changes needed to systems, processes and people to ensure continued controls on these imports.</td>
</tr>
<tr>
<td>Defra – Plant and plant product exports</td>
<td>After leaving the EU, the UK may no longer have regulatory alignment with the EU regarding plants and plant products. If so, the UK may need phytosanitary certificates in order to trade regulated plants into Europe. This project looks at the changes needed to systems, processes and people to ensure compliance with the EU regulatory system for exports.</td>
</tr>
<tr>
<td>Work stream</td>
<td>Issue to be resolved</td>
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<tr>
<td>Defra – Imports and exports of fish</td>
<td>As an EU member, the UK is currently not required to produce certificates for intra-EU trade for fish and fisheries products. Following EU exit, UK fish or fisheries products entering the EU market may require a catch certificate or processing statement. The objective of this project is to ensure continued trade by meeting the EU’s requirements in relation to catch certificates and processing statements.</td>
</tr>
<tr>
<td>Department for Transport (DfT) – Operation Stack</td>
<td>Operation Stack is a pre-existing project to find a permanent solution to congestion on the M20 motorway in Kent when ferry or rail services are disrupted. DfT is working to put in place an interim solution for March 2019 (Project Brock). Although not purely an EU exit-related programme, the issue is likely to be exacerbated by EU exit, particularly in a “no deal” scenario.</td>
</tr>
<tr>
<td>Home Office – Customs (Border Force)</td>
<td>Border Force is responsible for undertaking compliance checks on people and goods crossing the border. Changes in the compliance regime relating to people, goods or phytosanitary products, combined with changes in the flow of goods and people at the border, will affect the number and deployment of Border Force staff.</td>
</tr>
<tr>
<td>Department for International Trade (DIT) – Tariff application programme</td>
<td>UK tariff information currently comes from the TARIC database administered by the European Commission. This will no longer be the source of UK tariffs following the UK’s exit from the EU. DIT is leading the development of a UK Tariff Application to transmit tariff data to HM Revenue &amp; Customs (HMRC) for implementation at the border.</td>
</tr>
<tr>
<td>HMRC – Roll-on, roll-off (RORO)</td>
<td>Many RORO ports do not have the infrastructure or systems that they need to undertake the customs checks that would be required to comply with United Nations Security Council Resolutions, World Trade Organization rules and World Customs Organization conventions. The project aims to deliver a solution that maintains trade flow across the border without loss of customs revenue, from either 29 March 2019 or at the end of the implementation period.</td>
</tr>
<tr>
<td>HMRC – Northern Ireland</td>
<td>Once the UK leaves the EU, the Ireland/Northern Ireland land border will become a UK/EU border, with traded goods subject to duties and tariffs. The project aims to develop an approach that is consistent with the Belfast Agreement and which does not place strain on affected businesses.</td>
</tr>
<tr>
<td>HMRC – Passengers</td>
<td>Passengers returning from the EU are not currently required to settle liabilities for VAT, customs and excise duties on intra-EU purchases. The government’s aim is to keep tax processes as close as possible to those in place now. HMRC is developing systems to allow passengers to declare and settle any liabilities on purchases from the EU, as required post-EU exit.</td>
</tr>
<tr>
<td>HMRC – Parcels</td>
<td>Currently, import VAT is accounted for on goods in small parcels from the EU by either the receiving or selling businesses according to circumstance. Small parcels from elsewhere also attract import VAT subject to Low Value Consignment Relief (LVCR), which is collected by postal operators from consumers. If the UK leaves the EU without agreement, VAT on such parcels valued up to and including £135 will instead be payable by overseas businesses and LVCR will no longer apply to any parcels arriving in the UK. There is not currently a system in place to support this. HMRC is developing a technology-based solution which will allow VAT to be collected from the overseas businesses selling the goods into the UK. On goods worth more than £135 sent as parcels, VAT will continue to be collected from UK recipients in line with current procedures for parcels from non-EU countries.</td>
</tr>
<tr>
<td>Work stream</td>
<td>Issue to be resolved</td>
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<td>HMRC – Excise</td>
<td>Currently, goods moving between EU countries under duty suspension must be stored or moved between approved premises via the Excise Movement and Control System (EMCS), with excise duty only paid when the goods are released for consumption.</td>
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<td>In the event of ‘no deal’, all excise goods moving between the UK and EU (and vice versa) will be treated as rest-of-world goods, meaning that import and export declarations will be required, and excise goods can only be entered into duty suspense via EMCS once they are cleared into free circulation within the UK. This project is about delivering the necessary functional changes to IT systems to prevent disruption to EU-UK and UK-EU movements, and ensure HMRC can continue to monitor the movement of such goods without receiving data from central EU systems.</td>
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<td>HMRC – UK Safety and Security</td>
<td>Currently, traders who import goods into the EU are required to make a safety and security declaration on the EU’s Import Control System (ICS). Following EU exit, the UK will need to be able to process UK safety and security import declarations from day one and cope with an estimated seven times increase in the number of declarations. This project aims to identify and commission the changes needed to current safety and security systems in light of this.</td>
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<td>HMRC – Trade statistics</td>
<td>HMRC is responsible for collecting and publishing statistical data for UK international trade. The system it uses will need to be able to handle increased volumes of data once the UK leaves the EU, as data on intra-EU trade currently come from an EU system to which the UK will not have access after March 2019.</td>
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<td>HMRC – Binding tariff</td>
<td>Binding tariff rulings are legally binding decisions, generally lasting for three years, which state the correct commodity code to be applied to a particular trader’s imports/exports. These rulings are made by HMRC in the UK but stored centrally in an EU system. When the UK leaves the EU, HMRC will need to continue making decisions but also have a new system to store the rulings, and make historic rulings available to the EU.</td>
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<td>HMRC – Common Transit</td>
<td>The UK is currently a member of the Common Transit Convention (CTC) as a member of the EU. As a member of the CTC, goods can move into and across customs territories under duty suspense, that is, without completing fiscal declarations and paying duty. The UK will need alternative arrangements in place once it leaves the EU.</td>
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<td>HMRC – The Customs Declaration Service (CDS)</td>
<td>This is a new system to handle and risk assess customs declarations, and account for payment of duties. The programme started before the EU referendum and is a requirement no matter what the outcome of negotiations with the EU over exit; however, it became significantly more important after the referendum because of the potential increase in the numbers of traders who may be required to make customs declarations once the UK is outside the EU.</td>
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<td>HMRC – Contingency solution</td>
<td>This programme is a contingency solution in the event that CDS is not implemented in time to handle the increase in customs declarations that would be necessary in the event of ‘no deal’.</td>
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</table>

Source: National Audit Office analysis of departments’ data
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