National Audit Office

Report
by the Comptroller
and Auditor General

Cross-government

The UK border: preparedness for EU exit October 2019

HC 98 SESSION 2019–2020 16 OCTOBER 2019

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Cross-government

The UK border: preparedness for EU exit October 2019

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

14 October 2019

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This report considers the work that government and departments have been undertaking to prepare for a possible no-deal EU exit at the border in advance of 31 October 2019.

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Contents

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Key facts

150,000 to 250,000

traders, estimated by HM Revenue & Customs (HMRC), who would need to make a declaration for the first time in the event of no deal

30% to 60%

estimated proportion of heavy goods vehicles travelling via the short Channel crossings that will be ready for French customs, under the government's reasonable worst-case scenario

45% to 65%

assumed flow rate, as a percentage of current flows, at the short Channel crossings on day one under the government's reasonable worst-case scenario

228.5 million	The number of tonnes of freight that crossed the border between the UK and the rest of the EU in 2018, not including an unknown amount that crossed the border between Northern Ireland and Ireland
270 million	HMRC's revised estimate of the annual number of customs declarations it may be necessary to process if the UK leaves the EU without a deal, compared with current volumes of 55 million
Approximately 25,000	The total number of traders registered for Transitional Simplified Procedures, of the 150,000 to 250,000 traders who may need to make a customs declaration for the first time in the event of no deal, as at 8 October 2019
5% to 20%	The government's estimate of the number of small and medium-sized enterprises that will be ready for French customs, under the government's 'reasonable worst-case scenario'
Up to 1,000	The number of additional staff for whom Border Force has been allocated funding since April 2019, including around 250 staff to support the increase in transit checks from day one
£42.4 billion	Estimated tax and duty collected in 2018-19 from border transactions

Summary

1 The UK was initially scheduled to leave the EU on 29 March 2019 after triggering Article 50 of the Treaty on European Union on 29 March 2017, which started a two-year formal notice period. The UK government and the EU reached an agreement on the terms of the Withdrawal Agreement and future relationship on 14 November 2018 (the 'deal'). The UK Parliament rejected this agreement on 15 January 2019. The UK and EU agreed to extend the Article 50 deadline to 12 April 2019, and again to 31 October 2019 after the UK Parliament rejected the Withdrawal Agreement in two further votes.

2 The policy of the current government is that it will seek to renegotiate the Withdrawal Agreement with the EU. In case it is not possible to reach a deal, the government has ramped up preparations for leaving without a deal on 31 October 2019. On 9 September the UK Parliament passed the EU Withdrawal (No.2) Act, 'the Benn Act', which requires the Prime Minister to seek an extension to Article 50 if Parliament has not agreed a deal or approved leaving without a deal by 19 October 2019.

3 Departments have continued to plan on the basis of both a deal being reached, and on the basis that, if a deal is not agreed, the UK will leave the EU on 31 October 2019, with no implementation period and an immediate change in the UK–EU relationship ('no deal'). No deal has 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, and how quickly, the UK and EU could reach agreements on these issues.

4 In whichever situation the UK leaves the EU there are implications for how the border is managed. The UK's current management of the border is heavily influenced by its membership of the EU, which allows free movement of goods, services, capital and people across member states. If the UK leaves the EU without a deal at 11pm on 31 October 2019 or at any stage thereafter, then World Trade Organization (WTO) rules would govern trade between the UK and the EU, which include the principle of 'most favoured nation'.[1] 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 £438 billion of trade at the UK border.

1 'Day one of no deal' can refer to 31 October (from 11pm) or 1 November 2019 or the immediate period after a no-deal exit.

5 In preparing for leaving without a deal, the government has put in place new systems, upgraded existing systems and made other extensive changes to minimise the potential for disruption at the border. Some departments' preparations for no deal may also be useful if a deal is reached; the extent of this depends on the terms of any deal. It is not always straightforward for government as a whole to prioritise the various activities involved in managing a safe and effective flow of people and goods, and the collection of revenue. In the event of a no-deal exit, the government has decided to prioritise security and safety; flow of people and goods; and then compliance activity, including the collection of revenue.

6 This is our fourth report covering the UK border since the EU referendum in June 2016. Our previous reports were:

- *The UK border* (October 2017), which set out the issues and challenges for government's management of the border.[2] It considered existing challenges such as increased movements of goods and people and increasingly complex security threats as well as specific issues related to EU exit.
- *The UK border: preparedness for EU exit* (October 2018), which assessed the implications for border management of a no-deal EU exit.[3] It considered the progress that government had made in preparing for these changes and identified significant risks to delivery of an effective border at day one following a no-deal exit.
- *The UK border: preparedness for EU exit update* (February 2019), which provided an updated assessment of government preparations to manage a no-deal EU exit on 29 March 2019.[4]

7 Our October 2018 report covered the government's preparations at the border in both deal and no-deal scenarios. This report and our February 2019 report focus primarily on the government's preparations for no deal. This is because this has been, and continues to be, the main focus of the government's preparations in relation to management of the border. We engaged with the Border Delivery Group, which is the cross-government team responsible for scoping, planning, coordinating and ensuring the delivery of the necessary change plans to ensure the border works effectively after EU exit, and with individual departments and agencies with border responsibilities. We also engaged with stakeholders from the private sector who play a significant role at the border, including representatives from ports and industry.

2 Comptroller and Auditor General, *The UK border: issues and challenges for government's management of the border in light of the UK's planned departure from the EU*, Session 2017-19, HC 513, National Audit Office, October 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/10/The-UK-border.pdf
3 Comptroller and Auditor General, *The UK border: preparedness for EU exit*, Session 2017-19, HC 1619, National Audit Office, October 2018, available at: www.nao.org.uk/wp-content/uploads/2018/10/The-UK-border-preparedness-for-EU-exit.pdf
4 Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf

8 The purpose of this report is to consider the work that the government and departments have been undertaking to prepare for no deal since we last reported and to assess how prepared they are at the border for a no-deal exit on 31 October 2019:

- In Part One we set out the background to a no-deal exit on the operation of the UK border.
- In Part Two we set out the government and departments' actions to prepare for a no-deal exit on 31 October 2019. This part covers progress with putting in place the required systems, infrastructure and resources.
- In Part Three we assess the government and departments' actions to mitigate the risk associated with a no-deal exit. This part covers the risks over which the UK government has less direct control, such as the controls which would be imposed by EU member states, but which would still have an impact on the operation of the border on day one of a no-deal exit. It also includes the government's planned immediate response should disruption occur after a no-deal exit.

9 This report is based on information available up to 14 October 2019. We do not reach a final conclusion on the value for money of government's preparations for a no-deal exit. The scope of our report and our approach are set out in Appendices One and Two. We have reported separately on the government's preparations for ensuring continuity of supply to the health and social care sectors.[5]

Statement from the Comptroller and Auditor General

"The Civil Service has faced an unprecedented challenge preparing for the UK's exit from the European Union. It has done so within a context where the form of the UK's departure has been uncertain, subject to shifting timetables and vigorous political debate.

"This report records the progress made by government departments, working with others, to prepare for the changes required at the border and to mitigate risks should the UK depart without a deal with the EU on 31 October. In doing so, I am obliged to point out the work that still needs to be done, and the remaining risks in the short and longer term. However, I wish to record that these have not been normal times for individual departments or government as a whole and that a great deal has already been achieved in the midst of much uncertainty."

5 Comptroller and Auditor General, *Exiting the EU: Supplying the health and social care sector*, National Audit Office, HC 2654, September 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/09/Exiting-the-EU-supplying-the-health-and-social-care-sectors.pdf

Key findings

Government and departments' actions to prepare for a no-deal exit on 31 October 2019

10 **In the event of the UK exiting the EU with no deal on 31 October 2019, the government plans to implement broadly the same model that it intended for 12 April 2019.** Departments have not made wholesale changes to their plans and have largely not developed their systems and processes beyond the minimum operating capability that they intended to achieve for 12 April 2019. The government also intends to apply the same easements as it had planned for 12 April 2019, such as the Transitional Simplified Procedures, which simplify the process for making customs declarations. These measures are intended to give businesses more time to prepare for changes to border requirements and facilitate the flow of traffic. The government has accepted some fiscal and regulatory risk associated with these easements because it would not require EU traders to provide all of the information that it requires of non-EU traders (paragraphs 2.3–2.5; 2.28, 2.30, 2.31 and 3.3).

11 **By April 2019, departments had put in place most of the systems, infrastructure and resources they considered necessary for a no-deal exit, but risks remained in relation to two programmes.** By 12 April 2019, departments had largely implemented the planned minimum operating capability on key programmes. However, there were significant risks relating to two of these. Firstly, the Department for Environment, Food & Rural Affairs (Defra) had developed the Import of Products, Animals, Food and Feed System (IPAFFS) to monitor and control the import of animals, animal products and high-risk food and feeds from outside the EU. However, Defra had not been able to undertake the degree of user testing which it would have liked. Secondly, HM Revenue & Customs (HMRC) had developed new transit arrangements to allow traders to use the Common Transit Convention (CTC) to move goods through the UK to other countries without needing to make additional customs declarations. However, as at 12 April, there was insufficient infrastructure and system capacity to handle an expected increase in goods coming through Dover and Eurotunnel under transit arrangements. This created a risk of delays because there were no contingency arrangements in place (paragraphs 2.4, 2.13, 2.14, 2.35–2.38, 2.20–2.23 and Figure 6).[6]

12 **Since April 2019, departments have strengthened their preparations to be ready for a potential no-deal exit on 31 October 2019, but there is still work to do and little time to resolve any issues which may emerge**. The current position is:

6 EU member states and certain other European countries are members of the Common Transit Convention (CTC). The UK is currently a member of the CTC as a member of the EU. HMRC is developing a new transit regime following the UK acceding to the CTC in its own right after EU exit. After EU exit, goods arriving in the UK via EU member states would need to be recorded and managed in the UK's existing 'New Computerised Transit System'.

- **Development of systems required for day one of no deal has mostly completed, but some work remains to ensure that systems will operate as planned for day one.** The New Computerised Transit System is now able to deal with the expected increase in capacity required to deal with goods moving under the CTC. Defra has made progress implementing IPAFFS since 12 April and is now confident that it will operate and provide a reliable day-one solution. As at 1 October, 1,132 of the users who may potentially need to use the IPAFFS system had registered. Those systems which were ready for 12 April 2019, and which had subsequently been closed were remobilised. In some other cases, such as the tariffs and customs systems, limited changes will continue to be made up to 31 October to ensure readiness for no deal (paragraphs 2.21, 2.24, 2.32, 2.33 and 2.38).

- **Focus has shifted to testing the robustness and integration of systems.** The Border Delivery Group is overseeing a programme of operational testing between August and October 2019, including system integration testing to test whether new and existing functionality is operating as expected. There was not time to do this in the period leading up to 12 April 2019. There will be limited time to resolve issues which have arisen (paragraphs 2.13–2.16 and Figure 6).

- **Six sites have been leased and new infrastructure required to implement arrangements under the CTC is in development.** By 12 April 2019 HMRC had set up three Offices of Departure and Destination needed for handling the anticipated increased volume of freight moving through the short Channel crossings under transit arrangements but there was no contingency if these sites proved insufficient.[7] HMRC considered there would be sufficient capacity for three months after day one. HMRC has now secured three new sites and planning permission, with development due to complete by mid-October 2019 (paragraphs 2.20–2.26).

- **Departments are identifying staff from across the civil service to deploy to key EU exit roles in advance of 31 October 2019, and are also recruiting additional staff.** By 12 April 2019, departments were ready to deploy most of the staff they assessed they needed for day one, drawing upon staff from across the civil service. Such staff are now in the process of being identified and deployed again. Departments have also identified some new resourcing requirements, for example up to 500 additional Border Force staff in 2019-20 to support a projected increase in transit checks, of which around 250 posts are required by day one. Given the timescales, Border Force plans to use agency and temporary staff to fill the day one requirement and to run recruitment for permanent posts in parallel to this. As at 11 October 2019, it has secured around 200 agency staff for day one, supported by around 100 additional staff from across the civil service for transit checks and a further 175 staff to provide additional resilience for its front-line activities (paragraphs 2.7–2.10).

7 There are three short Channel crossings: Dover to Calais and Dover to Dunkirk via ferry routes, and Folkstone to Coquelles via the Channel Tunnel.

Government and departments' actions to mitigate the risks associated with a no-deal exit

13 **Despite recent efforts across government, a large proportion of traders and businesses would not be ready for new customs and regulatory controls if the UK leaves without a deal and might not be able to access the support they require.** The flow of goods across the border depends on businesses knowing and complying with their border obligations. Groups representing traders, hauliers and ports told us that they welcomed the government's efforts to provide information to help them prepare but some were concerned about the scale and complexity of the task their members faced. On 21 August 2019, HMRC began automatically enrolling more than 88,000 VAT-registered businesses for Economic Operators Registration and Identification (EORI) numbers to help facilitate compliance with customs procedures.[8] On 1 September 2019, the government launched a major communications campaign to help individuals and businesses prepare for EU exit, including newspaper and television adverts, improved guidance, and direct engagement with industry. However, at this late stage and with ongoing uncertainty about the prospect of no deal on 31 October, this may have limited impact. The government's reasonable worst-case assumptions regarding the percentage of traders who would be ready on day one was 30%–60% in October 2019. There is limited capacity in the market for intermediaries, such as customs agents, to help businesses prepare. HMRC estimates that there are currently around 4,000 customs agents and that a very significant increase could be required to manage trade across the border in a no-deal scenario (paragraphs 3.2–3.9).

14 **The government anticipates that EU member states are likely to introduce controls which would significantly reduce the flow of traffic that is able to cross the border.** The government assumes that EU member states would apply customs and regulatory controls to goods crossing from the UK into the EU. It has developed an agreed set of planning assumptions about expected flows across the short Channel crossings, modelling a reasonable worst-case scenario, which ministers review and approve periodically. The latest approved cross-government reasonable worst-case scenario, from October 2019, is that the current flow of goods across the short Channel crossings could be reduced to 45%–65%, with flow rates gradually improving to 100% over 12 months. The scenario includes assumptions on the EU's ability to apply mandatory controls; the proportion of lorries which would be ready for French customs; and the capacity of French ports to hold lorries which are not ready (paragraphs 3.11 and 3.12).

8 An EORI number allows traders to: trade goods in or out of the UK; submit declarations using software; and apply to be authorised for customs simplifications and procedures.

15 **The government intends to introduce new mandatory readiness checks on lorries to identify and divert hauliers who are not ready if queues build on the approaches to Dover and Eurotunnel, but these would be challenging to operate.** It intends to undertake these new checks on the M20 and at Manston Airport if queues occur as part of Operation Brock, which is the plan to manage traffic flow in Kent in the event of disruption to services across the short Channel crossings. This is to mitigate the risk of hauliers arriving at the EU border without the appropriate documents, thereby causing tailbacks on UK roads leading to Dover Port and to Eurotunnel at Folkestone. Hauliers without the appropriate documentation would be given the option of travelling to and parking at specific sites where they would have up to 24 hours to obtain this or they would not be able to proceed to the EU border. The Department for Transport estimates that, in a reasonable worst-case scenario, just over 3,000 lorries a day (80% of lorries carrying loads) may need to be diverted because they do not have the appropriate documentation. There is very limited time for the government to get the necessary infrastructure and resources in place to undertake these checks in advance of 31 October 2019. In addition, stakeholders raised concerns about how the checks would operate in practice, including the lack of an agreed operating model and the feasibility of traders obtaining the appropriate documentation within the 24-hour period available (paragraphs 3.20–3.24).

16 **The UK government has announced temporary arrangements for managing trade crossing the land border from Ireland to Northern Ireland, but it acknowledges these are not likely to be sustainable.** The Northern Ireland and Ireland land border does not have any customs infrastructure, and people and goods can cross freely. If the UK leaves the EU without a deal, Northern Ireland and Ireland would have different customs and regulatory regimes. In March 2019, the UK government confirmed a strictly unilateral, temporary approach to checks, processes and tariffs in Northern Ireland, which would apply if the UK leaves the EU without a deal. It would not introduce any new checks or controls on goods at the land border, including no customs requirements for nearly all goods, with some limited exceptions. However, there is still uncertainty about border arrangements that the Irish government would introduce. The EU is likely to require Ireland to impose controls on goods entering from Northern Ireland by land, but it is not yet clear what checks it would impose or where they would take place. The UK government has stated that, in a no-deal scenario, it is committed to entering into discussions urgently with the European Commission and the Irish government to jointly agree long-term measures to avoid a hard border (paragraphs 3.13–3.17).

17 **Despite the government's actions, it has been unable to mitigate the most significant risks to the effective functioning of the UK border in the event of no deal and the border would be 'less than optimal'.** In preparing for day one of no deal the government has decided to prioritise security and safety; flow of people and goods; and then compliance activity, including the collection of revenue. It accepts that this model comes with risks and has stated that the border would be 'less than optimal' for a period of time. 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. As we previously reported, it is likely that organised criminals and others would quickly exploit any perceived weaknesses, gaps or inconsistencies in the enforcement regime. The government acknowledges that some of the arrangements that it has put in place to facilitate flow at the border, including easements such as Transitional Simplified Procedures, and the arrangements for the Northern Ireland and Ireland land border are not intended to remain in place in the long-term and would not be sustainable (paragraphs 1.5, 1.6, 2.3, 2.28–2.31 and 3.17).

18 **The government is putting in place civil contingency arrangements to manage the impact of a no-deal exit in the short-term.** The government is once again preparing to activate its civil contingency plans, which focus on mitigating the short term, severe, disruptive impacts of a no-deal exit. These plans all sit within what is known as Operation Yellowhammer. Two of the 12 Operation Yellowhammer workstreams relate to the UK border: 'Disruption to people crossing the border' and 'Disruption to key goods crossing the border'. The Cabinet Office leads on the contingency preparations and the Border and Supply Chain Impact Group within the Border Delivery Group is responsible for coordinating policy on matters in relation to the two border-related strands and the collation of supporting information and data. In addition, work is under way in other parts of the government and locally to enable the continued supply of essential goods and medicines and to manage queues of traffic in Kent. Local resilience forums are planning how to manage any potential emergencies which may result from a no-deal exit in their local areas (paragraphs 3.25–3.28).

Concluding remarks

19 The government has made progress with putting in place the systems, infrastructure and resources required to manage the border if the UK leaves the EU without a deal on 31 October 2019. However, there is still some work to do to finalise arrangements in the short time that remains and bringing all these elements together for the first time in a live environment carries inherent risk.

20 The most significant risks to the operation of the border remain, namely business readiness, EU member states imposing controls, and arrangements for the Northern Ireland and Ireland land border. Although the government has actions under way to influence these, mitigating these risks is now, to some extent, out of its control. It is impossible to know exactly what would happen at the border in the event of no deal on 31 October 2019. Departments face new challenges in monitoring and responding to any disruption that may ensue. This includes supporting businesses and individuals in meeting their new obligations, mitigating risks of the border becoming vulnerable to fraud, smuggling or other criminal activity, and activating civil contingency plans if necessary.

21 Many of the new arrangements the government plans to implement at the border to facilitate flow on day one would be temporary, and it will take some time for a fully functioning border to be put in place. In determining longer-term arrangements, the government would need to balance enabling the flow of traffic across the border with introducing appropriate controls to minimise the risk of non-compliance or criminal activity.

Part One

Introduction

The history of the UK's exit from the EU

1.1 The UK was initially scheduled to leave the EU on 29 March 2019 after triggering Article 50 of the Treaty on European Union on 29 March 2017, which started a two-year formal notice period. The UK and EU reached an agreement on the terms of the Withdrawal Agreement and future relationship on 14 November 2018. The UK Parliament rejected this agreement on 15 January 2019. The UK and EU agreed to extend the Article 50 deadline to 12 April 2019, and again to 31 October 2019 after the UK Parliament rejected the Withdrawal Agreement in two further votes. **Figure 1** shows key events in relation to the UK's withdrawal from the EU up until the date that Article 50 was extended to 31 October 2019.

1.2 The policy of the current government is to renegotiate the Withdrawal Agreement with the EU to reach 'a deal' which is then approved by the UK Parliament. In case it is not possible to reach a deal, the government has ramped up preparations for leaving without a deal on 31 October. On 9 September the UK Parliament passed the EU Withdrawal (No.2) Act, 'the Benn Act', which requires the Prime Minister to seek an extension to Article 50 if Parliament has not agreed 'a deal' or approved leaving without a deal by 19 October 2019.

The implications for the UK border of a no-deal exit

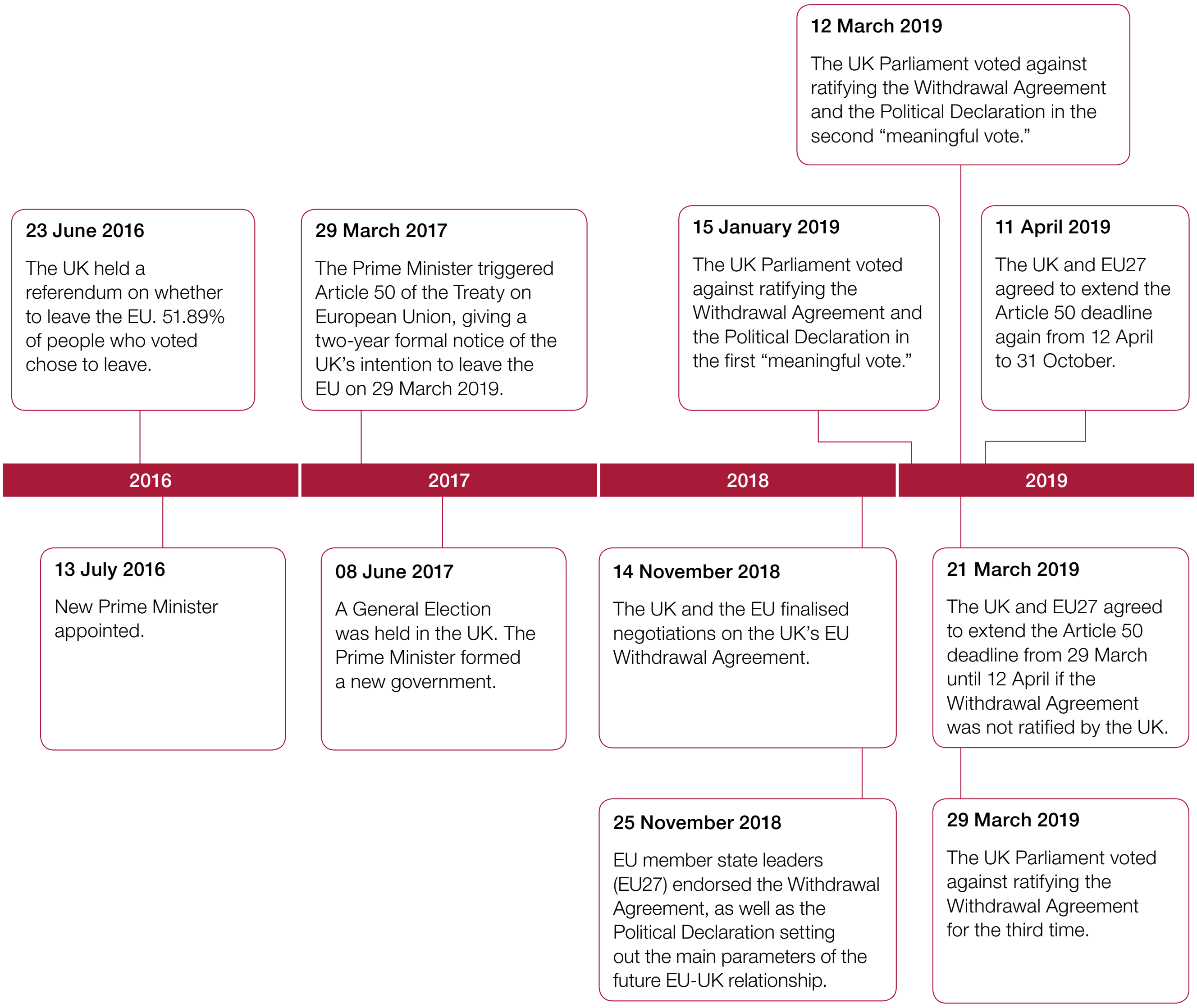
1.3 Membership of the EU allows free movement of goods, services, capital and people across member states. If the UK leaves the EU without a deal, then the UK would immediately leave the customs union and the single market. The government states that when the UK leaves the EU, freedom of movement of people "as it currently stands" will end. It also says that it is developing its plans for a new immigration system and will set these out shortly.[9]

9 HM Government, *No-Deal Readiness Report*, October 2019.

Figure 1

Overview of the key events in relation to the UK's withdrawal from the EU from 22 June 2016 to 11 April 2019

On 11 April 2019, the UK and EU member states agreed to extend the Article 50 deadline from 12 April 2019 to 31 October 2019



Source: National Audit Office

1.4 If the UK leaves the EU without a deal, then World Trade Organization (WTO) rules would govern trade between the UK and the EU, which includes 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 £438 billion of trade in goods at the UK border. Because of this, the government may need to put in place new systems, upgrade existing systems and make other extensive changes. **Figure 2** shows a high-level depiction of the border and flows across it.

1.5 As set out in our October 2018 report, the government does not have enough time to put in place all of the infrastructure, systems and people required for a fully effective border on day one of no deal.[10] The government acknowledges that in the event of no deal, the operation of the border would be 'less than optimal'. 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. As we previously reported, it is likely that organised criminals and others would quickly exploit any perceived weaknesses, gaps or inconsistencies in the enforcement regime.

1.6 In the event of no deal the government has confirmed that it would prioritise security and safety and the flow of people and goods. The government's third priority would be compliance activity, including the collection of revenue. In 2018-19 HM Revenue & Customs (HMRC) collected an estimated £42.4 billion at the border.[11] As we have reported previously the government has assumed that the overall risks to the border will not change on day one and that departments will need to manage the same types of and intensity of border risks immediately after leaving the EU as before.

Organisations with a role at the border

1.7 There are many government and other bodies with border responsibilities, including setting policy and managing border controls (see **Figure 3** on page 18 and Appendix Three for a list of key organisations). These include HMRC, the Home Office including Border Force, the Department for Environment, Food & Rural Affairs (Defra) and the Department for International Trade. 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 aeroplanes arriving in the UK.

10 Comptroller and Auditor General, *The UK border: preparedness for EU exit*, Session 2017–2019, HC 1619, National Audit Office, October 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/10/The-UK-border-preparedness-for-EU-exit.pdf

11 This included Import VAT, Customs Duties and Excise Duty collected at the border (hydrocarbons, alcohol and tobacco).

Figure 2

Goods and passengers crossing the UK border each year

The UK border is crossed at many locations for many purposes

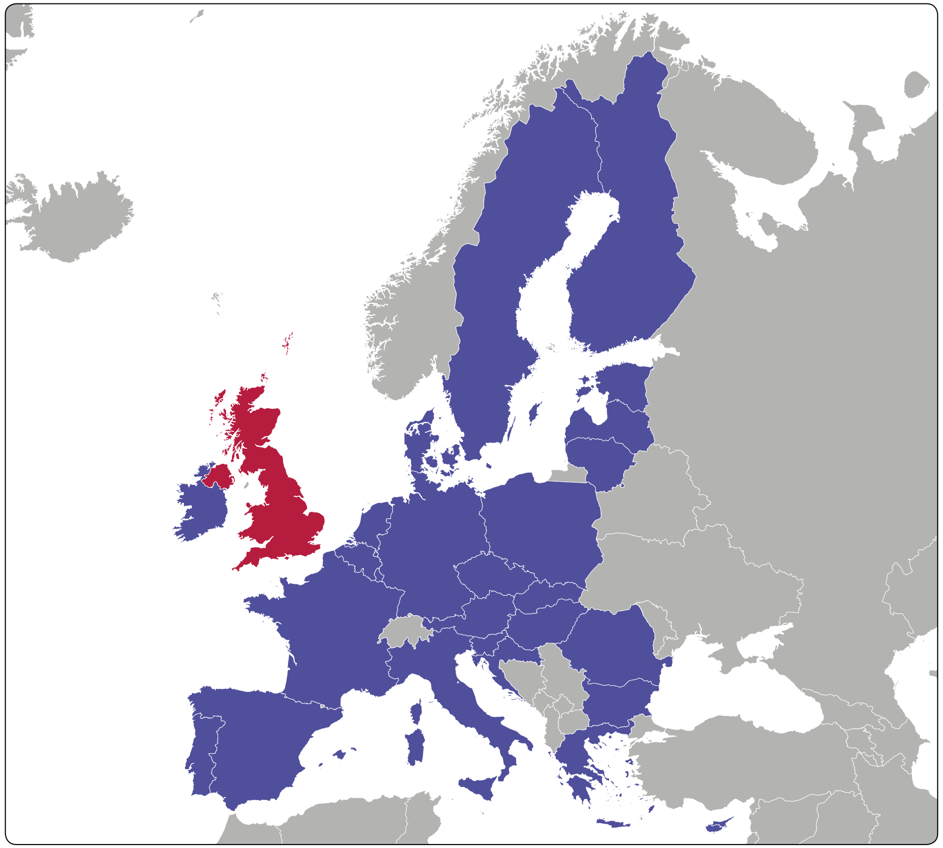
United Kingdom

More than 270 recognised crossing points at airports, sea ports and the channel tunnel.

Border Force staff in 140 locations.

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.



European Union

206 million tonnes of freight; 20 million passengers.

0.5 million tonnes of freight; 167 million passengers.

22 million tonnes of freight; 22 million passengers.

UK government border officials operate in France and Belgium at juxtaposed controls.

Rest of the world

177 million tonnes of freight; 2 million passengers

2 million tonnes of freight; 82 million passengers.

Notes

1 All data points are 2018 figures, except for rest of the world sea passengers, which are 2017.

2 Sea freight data are taken from the Department for Transport's (DfT's) *Port Freight statistics*, Table PORT0204, and relate to both inbound and outbound movements.

3 Sea passenger data are taken from the DfT's *Sea Passenger statistics*, Table SPAS0107, and relate to both inbound and outbound movements.

4 Air freight and passenger data are taken from the Civil Aviation Authority's *Airport Data 2018*, Tables 10_1 and 14, and include both inbound and outbound flights.

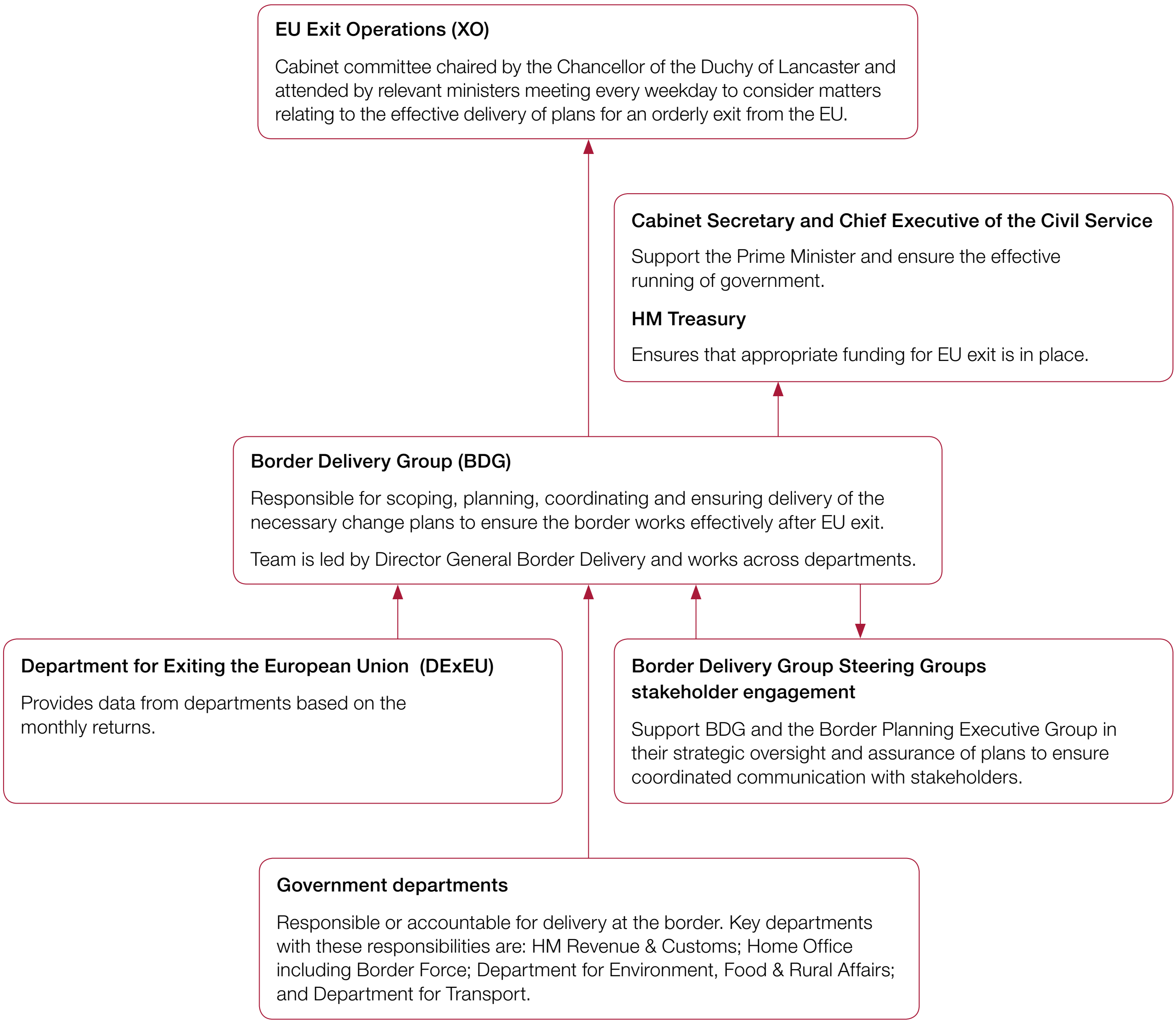
5 Train passenger and freight data are published by Eurotunnel.

6 There were 208 million passengers who crossed the border between the UK and the rest of the EU in 2018, not including an unknown number of passengers who crossed the border between Northern Ireland and Ireland using the 208 public road and unknown number of private road border crossings. Individual figures presented do not agree to this total because of rounding.

Source: National Audit Office analysis of departments' and other data

Figure 3
The responsibilities of government departments and the Border Delivery Group

There are many government bodies with border responsibilities



Source: National Audit Office analysis of departments' documents

1.8 From April 2018 the Border Delivery Group was responsible for scoping, planning, coordinating and delivering the necessary change plans to ensure the border works effectively after the UK exits the EU. The Group is hosted by HMRC, reporting jointly to the Chief Executive of HMRC and the second Permanent Secretary for the Home Office.

Scope of the report

1.9 The purpose of this report is to consider the work that the government and departments have been undertaking to prepare for no deal since we last reported and to assess how prepared they are at the border for a no-deal exit on 31 October 2019. In the remainder of the report we:

- set out the government and departments' actions to prepare for a no-deal exit on 31 October 2019 (Part Two). This part covers progress with putting in place the required systems, infrastructure and resources.
- assess the government and departments' actions to mitigate the risk associated with a no-deal exit (Part Three). This part covers the risks over which the UK government has less direct control, such as the controls which would be imposed by EU member states, but which would still have an impact on the operation of the border on day one of a no-deal exit. It also includes the government's planned immediate response should disruption occur after a no-deal exit.

1.10 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, or to indicate government as a whole.

Part Two

Government and departments' actions to prepare for a no-deal exit on 31 October 2019

2.1 On 11 April 2019 Article 50 was extended by 29 weeks, from 12 April 2019 to 31 October 2019. This part sets out:

- significant events relating to a potential no-deal exit at the border since 12 April 2019;
- the actions taken by departments and the Border Delivery Group (BDG) to prepare for no deal at the border since 12 April 2019; and
- departments' progress with implementing the systems, resources and infrastructure required to manage the border.

Significant events

2.2 After the extension of the Article 50 deadline from 12 April 2019 to 31 October 2019, departments' preparations for no deal paused or slowed down, building up again in August 2019, following the appointment of a new Prime Minister (**Figure 4**). This included establishing a new EU Exit Operations Cabinet Committee to consider matters relating to the effective delivery of plans for an orderly EU exit, and to which departments report their progress, sometimes on a daily basis.

Figure 4

Events in relation to the UK's withdrawal from the EU from April 2019 to October 2019 and government's preparations for a no-deal EU exit on 31 October

After the extension of the Article 50 deadline to 31 October 2019, departments' preparations for no deal paused or slowed down, building up again in August 2019

2019

April 2019

Departments paused or slowed down their preparations for a no-deal EU exit.

The then Prime Minister subsequently clarified that no-deal planning should continue with 'sensibly adjusted timescales' to reflect the agreed extension, and that preparations should be guided by the Cabinet Secretary and Permanent Secretaries.

Also in April, the Border Delivery Group (BDG) and the Department for Exiting the European Union stopped regular reporting on no-deal preparations. This reporting cycle was revived in June 2019.

11 April 2019

The UK and EU member states agreed to extend the Article 50 deadline from 12 April to 31 October.

23–26 May 2019

European Parliamentary elections.

24 July 2019

Appointment of a new Prime Minister.

July 2019

The Chief Executive of the Civil Service set out 10 priorities for BDG to prepare for a no-deal EU exit (**Figure 5**).

On 28 July the Prime Minister established a new EU Exit Operations Cabinet Committee to consider matters relating to the effective delivery of plans for an orderly EU exit.

On 31 July, government announced an additional £2.1 billion of funding for no deal preparations including supporting business readiness and ensuring critical supply of medicines:

- £1.1 billion to prepare critical areas for exit on 31 October; and
- £1 billion to enhance operational preparedness during 2019-20 if needed.

August 2019

The Prime Minister wrote to civil servants to instruct departments that preparing urgently for the possibility of a no-deal EU exit was the top priority.

9 September 2019

UK Parliament passed the EU Withdrawal (No.2) Act, 'the Benn Act', which requires the Prime Minister to seek an extension to Article 50 if Parliament has not agreed a deal or approved leaving without a deal by 19 October 2019.

17-18 October 2019

EU Council meeting.

31 October 2019

Revised Article 50 deadline.

Note

1 Information presented as at 11 October 2019.

Source: National Audit Office

Actions taken by departments and the Border Delivery Group (BDG) since 12 April 2019

Departments

2.3 We previously reported that the government did not have enough time to put in place all of the infrastructure, systems and people needed for a fully effective border and that in the event of no deal the model it would operate at the border would be 'less than optimal'.[12] It is implementing broadly the same operating model for 31 October 2019 as it intended to implement for 12 April 2019. This model included:

- prioritisation of safety, security and flow of traffic over compliance activity, including the collection of revenue;
- the introduction of temporary easements, such as Transitional Simplified Procedures, which will simplify the process of making import customs declarations at the border, to maintain the flow of traffic;
- the introduction of a transitional approach to dealing with traders who have difficulty complying with new customs requirements; and
- no additional checks on imports of animals, animal-related products and food for goods arriving from the EU.

2.4 The government's view is that it was as ready as it could be for the previous deadline. Since then departments have not made wholesale changes to their plans and have largely not developed their systems and processes beyond the minimum operating capability they intended to achieve for 12 April 2019.

2.5 Despite the overarching operating model remaining the same, departments have undertaken work to maintain or enhance their border-related programmes during the extension period. The extent of this work varied across departments and across programmes and was partially driven by funding constraints and other operational pressures:

- Where systems and processes were ready to operate, they were either closed (mothballed or put on ice) and later re-opened, or departments undertook work to maintain systems and processes as at 12 April 2019. For example, HM Revenue & Customs (HMRC) closed its Border Systems Programme, which was created to deliver the Customs, Excise and VAT business process and IT system changes that were necessary in a no-deal scenario in June 2019, and then remobilised delivery in September 2019. The Department for International Trade (DIT) kept open its Tariff Application Programme, to transmit tariff data to HMRC for the calculation of customs duties, quotas and implementation of import and export controls, and continued to make changes to reflect developments over the extension period.

12 Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf

- Where systems and processes were not ready to operate as planned for 12 April 2019, departments undertook work to improve the situation. For example, HMRC and Border Force have located more sites and recruited more staff to enable the movement of goods under the Common Transit Convention (see paragraphs 2.20–2.26).

- In some cases, departments were able to use additional time and/or resources to improve the situation that existed as at 12 April 2019. For example, departments and BDG have been able to undertake more testing of systems in the run-up to 31 October 2019.

2.6 Some elements of the model that the government is putting in place require new legislation. For example, Parliament needs to approve new secondary legislation in advance of 31 October in order for DIT to be able to apply its planned tariff rates at the border in the event of no deal (see paragraph 2.33) and to implement mandatory readiness checks on freight heading towards Dover and Eurotunnel (see paragraphs 3.21 and 3.24).

2.7 Departments need significant numbers of additional staff to prepare for EU exit and to support operations after the UK leaves the EU. By 12 April 2019, departments were ready to deploy most of the staff needed for day one. In total, more than 17,000 staff were in EU exit roles as at 12 April 2019. This included staff operating at the border as well as staff in other roles, and comprised staff in existing roles, staff redeployed within departments, staff redeployed from other departments across the civil service, as well as newly recruited staff. In particular, around 1,300 staff were redeployed from other departments across the civil service by 12 April 2019, most of whom returned to their home departments after the extension to Article 50 was agreed.

2.8 Since 12 April 2019, departments have re-assessed their resourcing requirements. There are currently around 17,000 staff in EU exit roles and the government plans to have around 25,000 staff in EU exit-related roles by 31 October 2019 and a total of around 27,500 by March 2020. As at 9 October, to support this additional requirement, the government plans for around 2,000 staff to be redeployed across the civil service from their home departments into other roles. In some cases, departments are recruiting further staff for 31 October 2019.

2.9 Border Force has assessed that it needs significantly more staff to operate the border after the UK leaves the EU. In February 2019, we reported that Border Force had identified that it needed 572 additional full-time equivalent (FTE) members of staff to support EU exit work. It also planned to recruit 300 further staff for a mobile Readiness Task Force.[13] Border Force would deploy these staff to provide additional support anywhere they were needed in the UK. By 12 April 2019, Border Force had recruited 927 additional FTE staff including 279 FTE Readiness Task Force staff. Of these, 811 were ready for deployment on 12 April 2019. In addition, in the event of no deal, Border Force intended to deploy around 350 staff from elsewhere in the civil service to provide additional resilience for its front-line activities.

13 See footnote 12.

2.10 Border Force kept its additional staff throughout the extension period to contribute towards business-as-usual work. Since 12 April 2019, Border Force has identified a need for additional staff to support increased projected volumes of goods moving under transit arrangements and requiring checks (paragraphs 2.20–2.26), and to protect border security and promote border flows. It announced the intention to recruit up to 1,000 more Border Force staff. This included up to 500 additional Border Force staff in 2019-20 to support a projected increase in transit checks, of which around 250 posts are required by day one. Given the timescales, Border Force is using agency and other temporary staff for the day one requirement, with recruitment for permanent posts running in parallel to this. As at 11 October, Border Force told us that it has secured around 200 agency staff who are ready to begin the required two days of training before deployment on day one. In addition to this, Border Force told us that it has secured around 100 additional staff from across the civil service to support the transit checks for day one and a further 175 staff to provide additional resilience for its front-line activities in locations with the greatest flow of traffic and passengers.

The Border Delivery Group

2.11 The BDG is responsible for scoping, planning, coordinating and ensuring delivery of the necessary change plans to ensure the border works effectively after EU exit. In July 2019, following receipt of a new remit letter from the Chief Executive of the Civil Service, and in anticipation of a likely ramping up of no-deal preparation, BDG reviewed its work programme and identified 10 priority areas for its work in preparation for a possible no-deal exit on 31 October 2019. **Figure 5** sets out these priorities, BDG's assessment of the risk position of these areas of work as at 8 October 2019, and where we cover these issues within this report.

2.12 There have been changes in leadership in key positions related to border preparations since we last reported. The most significant are:

- the Director General of the Border Delivery Group retired on 15 July 2019;
- the Permanent Secretary of HMRC and co-chair of the Border Planning Executive Group to which BDG reports left HMRC on 27 September 2019; and
- the Director General for EU Exit Implementation within the Cabinet Office, and successor as head of the Border Delivery Group left this role on 27 September 2019.

Figure 5

The Border Delivery Group's (BDG) 10 no-deal priorities and their risk rating as at 8 October 2019

In July 2019 BDG reviewed its work programme and identified 10 priority areas for its work in preparation for a possible no-deal exit on 31 October 2019

Priority[1]	BDG risk rating as at 8 October 2019[2]	Coverage within this report
BDG assessment of government readiness at the border for no deal		
To run a comprehensive programme of operational testing of key systems related to the border.	Amber-Green	Paragraph 2.13
To ensure the right infrastructure is in place for the movement of goods under the Common Transit Convention.	Amber	Paragraphs 2.20–2.26
To support flow of traffic on the roads leading to Dover port and Eurotunnel through the use of border readiness checks.	Amber	Paragraphs 3.21–3.24
To secure capacity for transporting category one goods such as medical supplies.	Amber-Red	Paragraph 3.19
To stand up the Border and Supply Chain Impact Group as part of wider civil contingency arrangements.	Green	Paragraphs 3.27-3.28
BDG assessment of third party readiness at the border for no deal		
To undertake a comprehensive programme of trader communications.	Red	Paragraphs 3.2–3.9
To improve haulier readiness.	Red	Paragraphs 3.2–3.9
To improve passenger readiness.	Amber	Paragraph 3.10
To provide business advice and support.	Amber-Red	Paragraph 3.3
To leverage diplomatic and operational engagement with other member states.	Amber	Paragraph 3.12

Notes

1 BDG identified its top 10 priorities for preparing for a no-deal exit on 31 October in July 2019.

2 The BDG risk ratings are those reported in BDG's weekly dashboard at 8 October 2019. The risk ratings do not relate to any particular programme or system. They are BDG's assessment, as at 8 October, of the risk relating to delivery of that priority workstream.

Source: National Audit Office analysis of Border Delivery Group documents

Testing and assurance

2.13 In the run-up to 12 April 2019 there was limited time available for BDG and departments to undertake testing of border-related systems and how they operate in their environment. With additional time to prepare, the focus of departments and BDG shifted from delivering systems to testing them. Between August and October 2019 BDG ran a programme of operational testing of key border-related systems and processes to test they can cope with complex scenarios. This testing has identified some findings that would impact on the continuation of current trade if left unresolved. Some of these will be resolved by the fact that the European Commission has now agreed third country listing for exports of animals and animal-related products, and government departments are working to address the rest, including the need for improved communication for borders users regarding specific systems.[14]

2.14 Since 12 April the Infrastructure and Projects Authority (IPA) has undertaken 32 reviews of EU exit-related projects and programmes, some of which were in scope of this report. These related to the Operation Brock traffic management plan, HMRC's CHIEF customs system, HMRC's Border Systems Programme and the Department for Environment, Food & Rural Affairs' (Defra's) development of the Imports of Products, Animals, Food and Feed System (IPAFFS).[15] The IPA recognised that departments had made significant progress, but also highlighted areas of concern ahead of 31 October 2019. These included risks related to a lack of trader readiness, retention of expertise on key programmes, lack of clarity around accountability in some cross-government and departmental programmes, and funding and policy uncertainties.

Departments' progress with implementing the systems, resources and infrastructure needed to manage the border.

2.15 We reported previously that BDG reports specifically on the development and implementation of the IT systems that it views as most critical to the effective functioning of the border on day one.

- Our October 2018 report said that, in September 2018, BDG's view was that 11 out of the 12 systems it thought critical to the effective functioning of the border on day one were at risk of not being delivered to time and to an acceptable quality.[16]

14 In a no-deal scenario animals and animal-related exports from the UK to the EU would need to be accompanied by an Export Health Certificate (see paragraph 2.40 – 2.43).

15 The IPA also reviewed plans for the movement of Category One goods, including work that the government has undertaken to procure freight capacity. The movement of Category One goods is covered in our report Comptroller and Auditor General, Department of Health & Social Care, *Exiting the EU: Supplying the health and social care sector*, National Audit Office, Session 2017-2019, HC 2654, September 2019.

16 Comptroller and Auditor General, *The UK border: preparedness for EU exit*, Session 2017-19,HC 1619, National Audit Office, October 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/10/The-UK-border-preparedness-for-EU-exit.pdf

- Our February 2019 report said that BDG had changed the population of the most critical systems to eight and had split its ratings between IT and process changes.[17] In February, BDG assessed that six of the eight critical systems were at risk of not being delivered on time and to acceptable quality in regard to IT changes, and four in relation to the process for embedding them (rated amber or above). **Figure 6** on pages 28, 29, 30 and 31 sets out the eight systems and processes against which we reported in February and their risk rating in April 2019.

2.16 BDG no longer reports risk ratings on the individual key systems projects. This is because it considers that, although risk is still associated with some of these systems, for example due to the interdependencies between them and the lack of time to complete testing, the systems had largely reached their minimum operating capability for day one in April 2019. However, BDG continues to monitor developments in regard to departments' work to maintain or enhance these systems. Paragraphs 2.17 to 2.43 set out developments on nine key projects we reported on in February 2019, including the eight projects listed at Figure 6. Appendix 4 gives an update on three other significant projects on which we have previously reported.

Customs and international trade

Customs handling of import and export freight

2.17 The Customs Handling of Import and Export Freight (CHIEF) system is HMRC's current system for handling and risk-assessing customs declarations, and accounting for payment of duties. HMRC is replacing CHIEF with the Customs Declaration Service (CDS) and managed trader migration has begun in small numbers. HMRC's plan is to continue running CHIEF in parallel with CDS until they have migrated all traders to CDS. HMRC decided in January 2019 to use CHIEF as its primary customs system for EU trade in the event of no deal rather than CDS.

2.18 Our February 2019 report noted that, in January 2019, HMRC had successfully tested CHIEF's ability to manage up to 300 million customs declarations each year.[18] HMRC estimates that declaration volumes would rise to 270 million annually after the UK leaves the European Union Customs Union. CHIEF currently handles 55 million customs declarations each year.[19]

17 See footnote 12.
18 See footnote 12.
19 HMRC has revised its estimate of the annual number of customs declarations required from 260 million to 270 million.

Figure 6

Summary of the risk position in relation to key systems projects monitored by the Border Delivery Group (BDG) as at February and April 2019

BDG no longer reports risk ratings on the individual key systems projects because it considers that, although risk is still associated with some of these systems, the systems had largely reached their minimum operating capability for day one in April 2019

Key responsible organisation	Project/programme	System	Description
Department for Environment, Food & Rural Affairs (Defra)	Import of animals and animal products and high-risk food and feed not of animal origin – replacement for Trade Control and Expert System (TRACES)	Import of Products, Animals, Food and Feed System (IPAFFS)	IPAFFS is a system being developed to monitor and control the import of animals, animal-related products, high-risk food and feed from the European Union (EU) and rest-of-world countries, replacing use of the EU's TRACES system. IPAFFS was previously called TRACES replacement.
Defra	IPAFFS Contingency	Online form-based contingency and possible use of Port Health Interactive Live Information System (PHILIS Online)	Defra developed a contingency for IPAFFS in case it was not available.
Defra	Automatic Licence Verification System (ALVS)	ALVS	ALVS is an existing system that enables the sharing of information between HM Revenue & Customs (HMRC) and Defra systems. Defra and HMRC are testing that ALVS works with the new systems being developed for EU exit. In the event of no deal, ALVS will be critical to ensure an operational link between the Customs Declaration Service (CDS)/Customs Handling of Import and Export (CHIEF) and IPAFFS.
Food Standards Agency (FSA)	Pre-notification	Port Health Interactive Live Information System (PHILIS Online)	This programme aims to enable importers to provide pre-notification of the import of high-risk food and feed from EU countries from February 2020. This is to enable the FSA to ensure that food coming from the EU can be traced in the event of an incident or a new emerging risk. The FSA is also modifying the existing PHILIS Online system as an interim solution until IPAFFS functionality for this requirement is ready.
Department for International Trade (DIT)	Tariff Application	Tariff Application Platform (TAP)	TAP is a new system being developed by DIT to transmit tariff data to HMRC for the calculation of duties due at the border, replacing the Tarif Intégré Communautaire (TARIC) database administered by the European Commission.
HM Revenue & Customs (HMRC)	Transit	Transit	HMRC is developing a new transit regime following the UK acceding to the Common Transit Convention (CTC) in its own right after EU exit. 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. After EU exit, goods arriving in the UK via EU member states will need to be recorded and managed in the UK's existing 'New Computerised Transit System' (NCTS).

Border Delivery Group risk rating as at 14 February 2019 (our previous report)[1]		Border Delivery Group risk rating as at 4 April 2019[2]	Paragraph reference
IT	Process		
Amber-Red	Amber-Red	Amber	2.34–2.38
Amber	Amber-Red	Amber-Green	2.38
Amber-Red	Not applicable	Amber-Green	2.39
Amber-Green	Amber-Green	Not reported	2.35
Amber-Green	Amber	Amber-Green	2.32 and 2.33
Amber	Red	Amber	2.20–2.26

Figure 6 *continued*

Summary of the risk position in relation to key systems projects monitored by the Border Delivery Group (BDG) as at February and April 2019

Key responsible organisation	Project/programme	System	Description
HMRC	Roll-on, roll-off locations (RORO)	RORO	Many locations that operate 'roll-on, roll-off' (RORO) services 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.
HMRC	Customs Handling of Import and Export Freight (CHIEF)	CHIEF	HMRC developed its existing customs system CHIEF as a contingency option to provide additional capacity for processing customs declarations in the event that the new Customs Declaration Service was not ready. HMRC has had to upgrade CHIEF to increase its capacity to cope with the estimated fivefold increase in customs declarations in the event of no deal.

Notes

1 As of January 2019, BDG separated its risk rating into two categories: IT delivery; and process, which relates to ensuring business readiness for the system. This was done to reflect that the challenge for rolling out a new system is wider than just delivering new IT and in order to give a better overall picture of the readiness of each system.

2 From April 2019 BDG did not separate its risk rating into two categories.

3 Risk rating definitions: red – successful delivery appears to be unachievable. There are major issues which, at this stage, do not appear to be manageable or resolvable. The project may need re-baselining and/or overall viability re-assessed; amber-red – successful delivery 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; and green – successful delivery to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.

Source: National Audit Office analysis of Border Delivery Group and departments' documents

2.19 CHIEF needs to connect with several other border-related systems to receive information relating to imported goods. For example, it needs to receive the outcome of biosecurity and food safety checks on imported goods from Defra's IPAFFS system through the Automatic Licence Verification System (ALVS). We previously reported that HMRC needed to undertake additional work to ensure that CHIEF was ready for day one of no deal including ensuring that CHIEF connects with other critical systems and delivering other functional changes. On 24 March 2019 HMRC was satisfied that it would have delivered all the changes that would have been required in advance of 12 April 2019 and that it could also deliver them for 31 October 2019 if required. Since then, HMRC has continued to test the functionality of CHIEF and its integration with other key systems. **Figure 7** on pages 32 and 33 sets out at a high level some of the key border systems that CHIEF and CDS need to connect with and examples of the types of information that are transferred between them.

Border Delivery Group risk rating as at 14 February 2019 (our previous report)[1]		Border Delivery Group risk rating as at 4 April 2019[2]	Paragraph reference
Amber	Amber-Green	Not reported	2.27–2.31
Amber	Not reported	Amber	2.17–2.19

Transit

2.20 Traders use the common transit procedures that are common to all EU members for moving goods between member states and certain other European countries that are members of the Common Transit Convention (CTC). This allows for the temporary suspension of duties, taxes and commercial policy measures usually applied on imports. Under the CTC, traders only need to make an import declaration at the start of their journey and an export declaration at the end. They do not need to make additional declarations when moving goods across borders within a customs area, which reduces the administrative burden on them. Moving goods under transit arrangements also allows traders to pay their customs duties only when the goods reach their final destination.

Figure 7

Data exchange between customs systems and other key border-related systems for day one

In the event of day one of no deal HM Revenue & Customs' (HMRCs') customs systems need to send and receive data from other key border-related systems

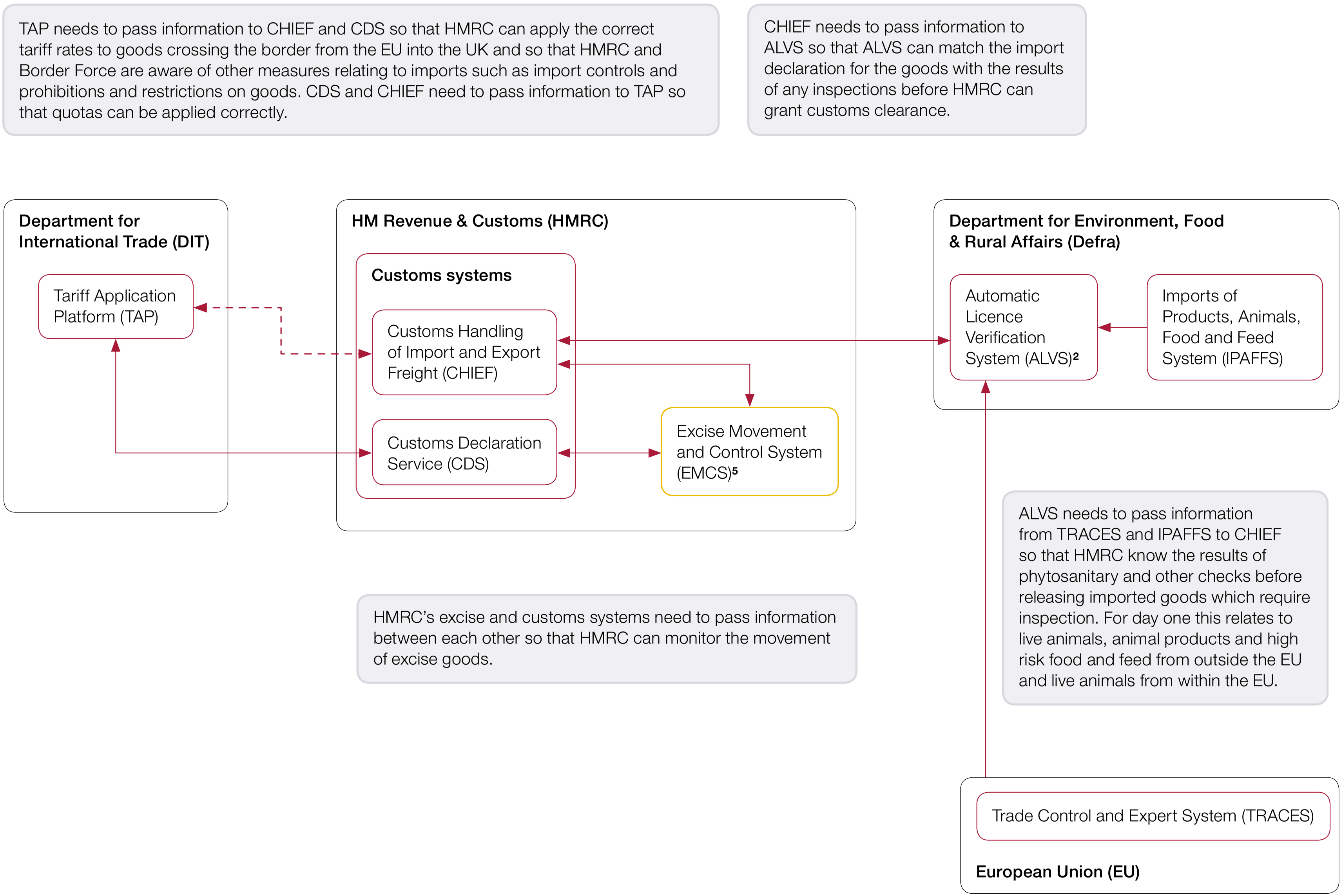


Figure 7 *continued*

Data exchange between customs systems and other key border-related systems for day one

Notes

1 This diagram is a simple depiction of the key border-related systems and some of the reasons why information needs to be passed between them. It is not intended to represent the full complexity of the connections between these systems.

2 ALVS is a linking system between CHIEF and the systems on which environmental inspection bodies, such as the Animal and Plant Health Agency and Port Health Authorities record the results of their inspections of goods arriving in the UK which fall within their remit, for example live animals, animal products and high-risk food and feed. These bodies currently use the EU's TRACES system to record the result of their inspections but will lose access to this system for products arriving from outside of the EU and instead intend to use Defra's new IPAFFS system.

3 CHIEF will be the primary customs system for EU trade in the event of no deal. HMRC intends to replace CHIEF with the Customs Declaration Service, to which it has recently begun migrating trader data. The limited number of traders currently using CDS do not make animal health declarations and so a link between ALVS and CDS is not required on day one.

4 There is a digital connection between TAP and CDS but data from TAP needs to be manually input into CHIEF.

5 We do not cover the Excise Movement and Control System in this report but did report on it in our October 2018 report *The UK border: preparedness for EU exit*.

Source: National Audit Office analysis of HM Revenue & Customs documents

2.21 The UK is currently a member of the CTC as an EU member state, but when the UK leaves the EU it will become a member of the CTC in its own right. Currently, as goods are marked as 'arrived' at the point where they enter the EU, no entry is required on the UK's New Computerised Transit System (NCTS) for goods arriving in the UK via other EU member states. When the UK leaves the EU, the UK will be a separate customs territory and therefore goods must be marked on NCTS when they arrive in the UK, through the completion of an Office of Transit function.[20] This is an additional requirement on traders above and beyond presenting their goods at an Office of Departure or Destination (OOD) to start or end their transit movements.

2.22 The government is anticipating a significant increase in traders wishing to transport goods using the CTC if the UK leaves the EU without a deal. Both this increase, and the increase in administration needed for goods already travelling under the CTC, have resulted in the government having to create more OODs than were in place before the referendum, and employ more staff to undertake checks, including the new Office of Transit function that will be required.

20 An Office of Transit is where goods moving under transit must pass through on entry to a new customs area to allow entry of the goods to be recorded.

2.23 When we last reported in February 2019 BDG was reporting the overall risk for transit as amber for IT and red for process.[21] The amber rating was on the basis that there was a risk that NCTS would not be ready on time. The red rating was due to the significant challenges that remained to put in place the necessary resourcing and infrastructure. On 10 April 2019, BDG reported that the overall risk for the project was amber. This was because of concerns about transit infrastructure in the South East. Although HMRC had set up a temporary OOD site in Kent at Manston Airfield to support existing Transit offices at Dover Western Docks and Stop 24, BDG thought that these sites may have been insufficient to handle an increase in goods coming through Dover and Eurotunnel under transit arrangements and there was no contingency in place if this had happened. BDG also had concerns that there was a lack of awareness among traders that they must obtain guarantees for the transit process. HMRC told us that it estimated it had sufficient capacity to handle the increase in transit movements for three months after day one.

2.24 Since February 2019, HMRC has increased the capacity of the NCTS to handle the additional transit movements across the short Channel crossings, which are likely if the UK leaves without a deal. HMRC has secured three further sites, in addition to Manston, where they intend to locate OODs at Ashford, Ebbsfleet and North Weald. It is in the process of developing these sites. This has tripled the available capacity for lorries using transit arrangements to approximately 700.[22] HMRC anticipates that this would provide sufficient capacity for transit movements for at least the first six months after day one of no deal. At 1 October, BDG risk-rated transit infrastructure as amber. This reflected progress made in securing leases for inspection sites while noting that work still needed to be done to ensure those sites were properly equipped and staffed. This work was expected to be completed by 21 October.

2.25 Groups representing hauliers and ports have told us that moving goods under CTC is important for ensuring the flow of goods at the border. However, they have concerns about the availability of customs guarantees (a CTC requirement to cover customs or import VAT duties while goods are being moved) and the possibility that increased demand would increase rates and add to sector costs. At the time at which we engaged with them, in August and September 2019, stakeholders also had concerns that the locations of the additional OODs had not yet been made public, limiting their ability to plan. The government subsequently published the location of the OOD sites on 19 September 2019.[23] The Kent Local Resilience Forum also has concerns that five of the six OOD locations are in Kent, placing additional pressure on the infrastructure in the county, and that locating several OOD sites in Kent complicates the overall transport plan for Kent in the event of disruption.

21 See footnote 12.
22 If Operation Brock is in operation, there will be additional capacity for lorries using transit arrangements at Manston Airfield.
23 GOV.UK, *Moving goods through the Port of Dover and Eurotunnel using common transit*, September 2019. Available at: www.gov.uk/guidance/moving-goods-through-the-port-of-dover-and-eurotunnel-using-common-transit

2.26 Border Force must undertake checks on goods travelling under transit arrangements. Our February 2019 report said that Border Force assessed HMRC's estimate of transit volumes as manageable in the immediate term after day one in terms of its staffing capacity.[24] In late February 2019 the European Commission determined that unaccompanied freight, which was previously not within the remit of the CTC, could be included.[25] This significantly changed HMRC's estimate of the number of transit movements around the whole of the UK, from 4.4 million to almost 10 million in the year after a no-deal exit. HMRC estimates this would rise to approximately 14.5 million a year by 2021. Border Force now estimates that it would need around 250 more staff on day one to carry out transit checks, increasing to a total of around 500 more staff by March 2020.

Roll-on, roll-off

2.27 In the event of no deal, imports from and exports to the EU must be supported by a customs declaration. This represents a significant business change for traders, freight forwarders and hauliers, who may be making declarations for the first time. It also represents a significant challenge for the government to both maintain the flow of trade across the border and enforce compliance. Appendix 5 sets out illustrative examples of the declarations that traders would have to make and checks that government would undertake from day one.

2.28 In February 2019, to maintain the flow of trade in the event of no deal, the government announced Transitional Simplified Procedures (TSP) for customs declarations on trade with EU member states.[26] This means that traders or their appointed representatives will be able to make either:

- a simplified frontier declaration (an electronic declaration submitted to HMRC), in which case traders would need to make a supplementary declaration and pay their duty the following month; or
- an entry in their own records of when the goods are crossing the border, in which case traders will need to make a supplementary declaration and pay their duty within six months.

2.29 Safety and security declarations ('entry summary declarations') are currently a legal requirement for non-EU trade. The data provided are risk-assessed by HMRC and alerts are passed to Border Force, which uses the information in its risk profiling at the border. In the event of no deal, the government plans to phase in this requirement for EU imports. Currently, imports from the EU do not require entry summary declarations. On 5 September 2019, the government extended the period for which this will continue to be the case from six to 12 months after 31 October 2019.

24 See footnote 12.
25 This includes freight which is transported in load-on, load-off containers and unaccompanied roll-on, roll-off trailers.
26 GOV.UK, *HMRC outlines extension of Transitional Simplified Procedures*, March 2019. Available at: www.gov.uk/government/news/hmrc-outlines-extension-of-transitional-simplified-procedures

2.30 HMRC has developed transitional arrangements ('managed transition') to help traders comply with new customs requirements in the short term. HMRC and Border Force recognise the challenge for new and existing traders to adapt in time for day one in the event of no deal.

2.31 These, and other, temporary easements would help facilitate the flow of traffic on day one. In the longer term, the government still needs to decide how it would maintain fiscal and regulatory compliance while maintaining the flow of traffic across the border. The government has accepted some fiscal and regulatory risk associated with these easements because it would not be requiring EU traders to provide all the information at the border that it requires of non-EU traders.

Tariff Application Programme

2.32 DIT is developing the Tariff Application Platform (TAP) to transmit tariff and non-duty data to HMRC for the calculation of customs duties and implementation of import and export controls at the border, replacing the Tarif Intégré Communautaire database administered by the European Commission. In February 2019 we reported on risks to the implementation of TAP due to the volume and complexity of the data it contains, and because the new system had no digital connection with CHIEF, a key system it must communicate with to ensure a functioning tariff regime at the border.[27] As at February 2019, the tariff rates that would apply to imports into the UK in a no-deal scenario had not been published. Late policy decisions or changes to trade agreements would pose a risk to implementation because of the lead-in time required to manually update tariff information in CHIEF.

2.33 On 12 April 2019, DIT reported that TAP was on track and a 'minimum viable digital product' was in place for a no-deal scenario. No major changes to the implementation of TAP are planned. DIT has used the extension of Article 50 to continue to test the integration of TAP with HMRC's CDS system. On 13 March 2019, the government published the temporary tariff rates that would apply to imports into the UK in a no-deal scenario, and subsequently updated these on 8 October 2019.[28] DIT and HMRC are incorporating the revised tariffs into TAP, CHIEF and CDS ready for a potential no-deal scenario on 31 October. Risks remain in the event that there are any late large-scale changes, due the requirement to manually update HMRC systems. DIT is working with HMRC and other departments to mitigate the potential impact of any last-minute policy changes relating to other tariff and non-tariff duties and they have quality assurance arrangements in place to validate data changes.

27 See footnote 12.

28 GOV.UK, *Temporary tariff regime for no deal Brexit published*, March 2019. Available at: www.gov.uk/government/news/temporary-tariff-regime-for-no-deal-brexit-published

Imports and exports of animals, animal-related products, food and feed

Imports – Imports of Products, Animals, Food and Feed System (IPAFFS)

2.34 Currently traders who import animals, animal-related products, and high-risk food and feed from outside the EU into the EU use the EU's Trade Control and Expert System (TRACES) to notify the relevant authorities in the EU, including Defra in the UK. TRACES is used for a variety of purposes including:

- pre-notifying consignments to Border Inspection Posts so that officials are aware what they need to inspect;
- recording the outcome of checks;
- communicating the results of checks to the relevant customs authorities for clearance; and
- recording movements of animals, some animal by-products and germplasm between EU member states.

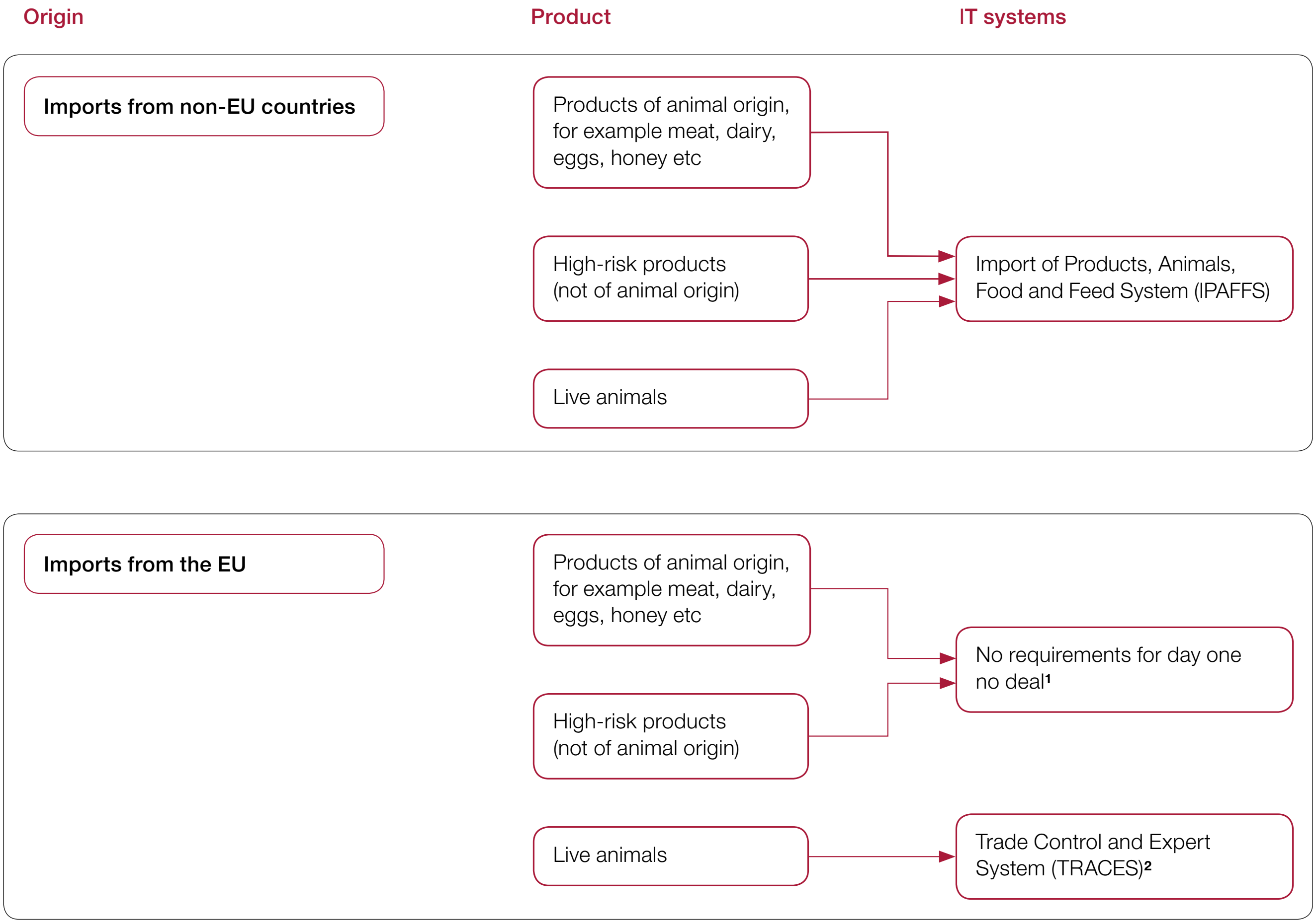
As a member of the EU the UK currently uses TRACES for the purposes listed above for imports from outside the EU. Apart from recording movements of animals, animal by-products and germplasm, it does not monitor the import of such products from within the EU because the UK and other EU member states are currently part of a single market and customs union.

2.35 If the UK leaves the EU without a deal on 31 October, the government anticipates losing access to all or most of the TRACES system. Defra is the department with responsibility for imports of such products and has been developing a system to replace TRACES, known as IPAFFS. In advance of a potential no-deal exit, Defra has prioritised developing the functionality required to manage imports from outside the EU, rather than from within the EU. This is necessary because of the volume of movements from outside of the EU into the UK and because it would lose this functionality if the UK leaves the EU without a deal. Building on this work, and in conjunction with the Food Standards Agency (FSA), it also intends to develop the capability to monitor the imports of such products from the EU into the UK for implementation at a later date if required. Defra does not plan to monitor imports from the EU from day one as it considers that there would not be any immediate change in the risk profile of such products. However, the FSA intends to monitor the import of certain categories of food on the basis of risk from February 2020 and is developing the means by which notifications can be obtained from importers prior to the functionality being provided on IPAFFS. **Figure 8** overleaf sets out the systems that Defra intends to use to manage imports by product category.

Figure 8

The planned arrangements to manage the import of animals, animal-related products, and food and feed in the event of a no-deal EU exit

The arrangements for a no-deal exit differ according to product category, and whether the products originate from within or outside the EU



Notes

1 In February 2019 we reported that the Department for Environment, Food & Rural Affairs (Defra) and the Food Standards Agency were planning to use the Port Health Interactive Live Information System (PHILIS) to enable pre-notification of high-risk food and feed imports from EU countries, as an interim measure as IPAFFS would not be ready. This requirement is now likely to be phased in over a period of time and the functionality could be included in IPAFFS in the future.

2 Continued access to TRACES for imports of live animals to the UK is subject to agreement with the European Commission. A contingency is in place for day one if this access is not agreed.

Source: National Audit Office

2.36 The only category of import from the EU that Defra considers it does need to monitor from day one, as is the case currently, is the movement of live animals, some animal by-products and germplasm.[29] In advance of 12 April the EU agreed the provision of the relevant data from TRACES in respect of these imports on a temporary basis. Defra hopes it can reach the same agreement with the European Commission in advance of 31 October 2019. If the UK is not provided with data in relation to these imports Defra intends to use a manual contingency system.

2.37 BDG has stated that IPAFFS is the largest new border-related system which the government has had to build for day one. In February 2019, BDG reported delivery confidence for IPAFFS for 29 March as amber-red.[30] This was partly on the basis that Defra had reported some issues arising from software testing. Defra was concerned that risks and delays at the border would increase in likelihood if an effective system was not in place by 12 April, potentially leading to an increase in industry costs, disruption to food supplies, and possible shortages of some products. As at 12 April, Defra had carried out technical testing but was not able to undertake the degree of end-to-end user testing it would have liked. The time for this was compressed following issues with the front-end system, the Common Registration System, that users use to register for IPAFFS and other Defra systems. However, it had also developed a manual contingency solution in case traders could not use IPAFFS. By 12 April, around one third of the 3,500 users who would have needed to use IPAFFS were registered. If Defra had decided to use the manual contingency solution, traders would have had little notice.

2.38 Defra has made progress implementing IPAFFS since 12 April. It has built greater functionality in IPAFFS and undertaken more user testing and is now confident that IPAFFS would operate and provide a reliable day one solution. It does not anticipate having to implement a contingency for day one. However, there remain risks relating to IPAFFS operating in a live environment for the first time and Defra has a contingency for IPAFFS in place as part of its usual business continuity arrangements. Defra began a public information campaign on 30 September to encourage users to register on IPAFFS and to provide them with information about Defra's new systems.[31] As at 1 October 1,132 users had registered.

29 Animal and animal-related products from the EU that would require monitoring from 31 October 2019 include live animals, equines, germplasm (genetic material for purpose of breeding) and certain animal products from EU countries with disease outbreak safeguard.

30 See footnote 12.

31 GOV.UK, *Importing animals, animal products and high-risk food and feed not of animal origin if there's a no-deal Brexit*, published February 2019, updated on September 2019, www.gov.uk/guidance/importing-animals-animal-products-and-high-risk-food-and-feed-not-of-animal-origin-if-the-UK-leaves-the-EU-with-no-deal#history

Imports – Automatic Licence Verification System (ALVS)

2.39 ALVS currently provides a link between the customs system CHIEF and the EU's TRACES system, enabling Port Health Authorities and the Animal and Plant Health Agency to communicate the results of biosecurity and food safety checks to HMRC. Defra and HMRC have tested whether ALVS works correctly as a linking system between CHIEF and IPAFFS and have not identified any significant issues.

Exports – Export Health Certificates

2.40 In the event of no deal, the EU would require the UK to be listed as a 'third country' to export animal or animal-related products to the EU. For 12 April, the UK's listed status application had been agreed by EU member states, in return for provision of certain assurances.[32] This meant that the UK would have been able to continue exporting live animals and animal products to the EU. On 11 October 2019 the EU granted the UK third country status in advance of 31 October 2019. This means that, in the event of no deal, the UK can continue to export animals or animal-related products to the EU after 31 October 2019.

2.41 Currently, UK exports of animals and animal products to countries outside the EU must be accompanied by an Export Health Certificate (EHC). Defra has previously estimated that, after EU exit and if these are needed for exports to the EU, there could be a 150% to 300% increase in demand for EHCs. Its latest estimates are that, for Great Britain, the number of EHCs might increase by 500% after a no-deal exit. However, this estimate is very uncertain due in part to limitations in the data and the difficulty of forecasting how businesses might adapt to the requirement to obtain EHCs. There is a similar challenge in estimating the number of EHCs which may be needed in Northern Ireland where this requirement, in addition to the need to move goods through a Border Inspection Post, could result in significant changes in business practices.

2.42 As reported in February 2019, Defra had decided to implement a contingency solution for the administration of EHCs for 12 April, with plans to implement a new IT system by summer 2019. The contingency involved developing the existing spreadsheet-based system to handle the expected increase in EHC numbers. Readiness for a no-deal exit in March or April 2019 was rated by Defra as amber. Despite measures to support the market, including the introduction of a new Certified Support Officer role to build capacity, Defra remained concerned that there would not be sufficient numbers of 'authorised signatories' (typically veterinarians and local authority environmental health officers) to authorise the increased volume of EHCs.

32 Available at: https://ec.europa.eu/info/sites/info/files/com-2019-276-final_en.pdf

2.43 In April 2019, Defra prioritised building a digital system for EHC generation (Export Health Certificates Online) to replace the contingency that was in place for 12 April. However, it made the decision to revert back to an upgraded version of the contingency (a shared document management system) in August as the new digital system might not have been ready in time and would not have been thoroughly tested with users. Work is ongoing to ensure the shared document management system is robust enough to manage the increased volume of EHCs but, without a digital solution for day one, this is expected to be more administratively burdensome for exporters. This would be a particular issue for exporters who export perishable 'just in time' goods because there is a risk that these might perish if exporters experience any delays in obtaining EHCs and having these authorised. The availability of authorised signatories to authorise EHCs at the pace that may be needed also remains a concern. This, among other issues, is a particular issue for exports between Northern Ireland and Ireland (see paragraph 3.15).

Part Three

Government and departments' actions to mitigate the risks associated with a no-deal exit

3.1 Irrespective of the government's work to prepare for a potential no-deal exit at the border, there are some risks which lie, at least partially, outside of its control. When we last reported, three of the most significant risks to the functioning of the border on day one were the low levels of trader readiness; the impact of the controls that EU member states may impose; and the lack of a policy decision in relation to the arrangements in place at the Northern Ireland and Ireland land border. This part considers:

- the government and departments' actions to mitigate the most significant risks at the border in advance of 31 October 2019; and
- the approach that the government is taking to civil contingency planning in the event that the UK leaves the EU without a deal on 31 October 2019.

The government and departments' actions to mitigate the most significant risks at the border

Trader, haulier and passenger readiness

3.2 Our previous report said that the government is heavily dependent on third parties being well-informed and making changes to their systems and behaviours. This includes traders, hauliers and passengers. If these groups are not prepared for the controls which EU member states are likely to impose this may lead to queues at the border. In the run-up to 12 April 2019, the majority of the Border Delivery Group's (BDG's) work focused on trader readiness and, when we last reported in February 2019, we noted that BDG assessed the risk to trader readiness as red, meaning successful delivery appeared unachievable. By 11 April 2019, the day on which the UK and the EU agreed to extend Article 50 to 31 October 2019, BDG was reporting that the overall risk in relation to its communications activity was amber-red and was reporting a red risk against key elements of trader and haulier readiness relating to customs and transit procedures, and arrangements relating to the Northern Ireland border.

3.3 Since 12 April 2019, the government has taken a number of actions to try to improve the readiness of traders, hauliers and passengers. These include:

- on 1 September 2019, launching a major communications campaign to help individuals and businesses prepare for EU exit, including newspaper and television adverts, improved guidance with step-by-step guides and process maps, and direct engagement with industry;[33]
- undertaking a series of roadshows with traders and hauliers across Europe and the UK to explain the arrangements that would operate at the UK border in the event of a no-deal exit and what traders and hauliers need to do to get ready, and plans for 150 pop-up sites across the UK and EU to provide advice;
- providing funding of £31 million since December 2018 for training and IT costs for businesses that may need to make customs declarations and building capacity in the market for managing customs declarations;
- setting up a new Brexit imports and exports helpline, operationally managed by HM Revenue & Customs (HMRC);
- introducing new readiness checks for hauliers in advance of crossing the border from the UK into the EU (see paragraphs 3.21–3.24); and
- reconfirming that the easements it had put in place for 12 April 2019 will remain in place for 31 October 2019. The main easements are the introduction of Transitional Simplified Procedures (TSP) on customs declarations and the waiving of safety and security declarations on imports from the EU into the UK for 12 months.[34,35]

3.4 BDG measures the success of efforts to improve trader readiness using information about the number of traders who have registered for an Economic Operators Registration and Information (EORI) number which allows traders to trade goods in or out of the UK; submit declarations using software; and apply to be authorised for customs simplifications and procedures. It also measures the number of traders who have taken up TSP. The government has stated that all the 150,000 – 250,000 traders who may need to make a customs declaration for the first time in the event of no deal need an EORI number and are encouraging firms to also register for TSP.[36]

33 GOV.UK, *'Get Ready for Brexit' campaign launched,* September 2019. Available at: www.gov.uk/government/news/get-ready-for-brexit-campaign-launched

34 TSP is intended to help maintain the flow of trade in the event of no deal by reducing the amount of information a trader must provide before goods arrive at their EU location of departure. The government has said that TSP will be in place for at least 15 months. This means that traders or their appointed representatives would be able to make either: a simplified frontier declaration (an electronic declaration submitted to HMRC); or an entry in their own records for goods crossing the border.

35 Safety and security declarations (entry summary declarations) are currently a legal requirement for non-EU trade. The information provided in these declarations is used by Border Force to inform its risk profiling at the border.

36 In 2018, there were 150,000 VAT-registered businesses who traded only with the EU, see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796798/2018_UK_Importer_and_Exporter_Population.pdf. HMRC does not know exactly how many non-VAT registered businesses trade only with the EU but estimates this to be around 100,000.

3.5 In August and September 2019, following lower than anticipated applications for EORI numbers, HMRC automatically allocated more than 88,000 VAT-registered businesses with EORI numbers taking the total number of traders registered in September to over 160,000. HMRC is not able to contact traders who are not VAT registered because it cannot identify which of these traders trade with the EU. As at 8 October 2019 the total number of traders registered for TSP was approximately 25,000. In order to import goods from the EU without having to make a full customs declaration at the UK border, traders must either be registered for TSP, or able to transport goods under the Common Transit Convention (CTC).

3.6 The stakeholders – including business, haulier and port representatives – that we spoke to highlighted the significant costs to businesses of preparing for a no-deal scenario and the difficulties faced (particularly by small to medium-sized enterprises) of meeting those costs. Stakeholders told us that continued uncertainty over the outcome of negotiations with the EU increased the risk that traders and businesses will not be ready in the event of no deal. While the government's efforts to provide information to help businesses and passengers prepare for no deal are welcomed, some stakeholders were concerned about the scale and complexity of the task their members faced in seeking to prepare. For example, business representatives reported instances of businesses being overwhelmed and confused by the volume of information they need to absorb and act on. They also highlighted policy areas (for example, the arrangements at the land border between Northern Ireland and Ireland) where there was not enough clarity over how the border would operate in practice, limiting what businesses could do to prepare.

3.7 A particular area of concern highlighted by stakeholders was the complexity of customs arrangements and the lack of experience in these arrangements for many businesses accustomed to trading only with the EU. Stakeholders broadly welcomed the easements that had been put in place to facilitate cross-border trade, including the TSP and the temporary waiver of safety and security declarations for EU imports into the UK. However, stakeholders highlighted their concerns about a perceived lack of capacity within the customs agent market to meet the increased demand for their services, and they wanted more information about how long easements would be in place and how the border would operate in the longer term to enable them to prepare.

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

3.8 Many departments have raised trader readiness as a significant risk to their plans and BDG reported the associated risk as red on 4 September 2019. It its most recent approved cross-government ‘reasonable worst case-scenario’ assumptions, from October 2019, the government has forecast that 30% – 60% of traders would be ready overall. This range includes a forecast of 5% – 20% of small and medium-sized enterprises who would be ready. The government has increased activity to try to improve readiness, however, at this late stage and with ongoing uncertainty about the prospect of no deal on 31 October, this may have limited impact.

3.9 There is limited capacity in the intermediary market to help traders prepare for customs procedures. HMRC estimates that there are currently around 4,000 customs agents and that a very significant increase could be required to manage trade across the border in a no deal scenario.

3.10 Passengers must also be aware of changes that may affect them at the border. For example, this includes ensuring that they have an international driving permit if this is needed and ensuring that sufficient time is left on their passports. BDG revised down the level of passenger disruption it expects for 31 October 2019 in comparison to 12 April 2019, in part because passenger volumes are likely to be lower because of seasonal differences, and because the French have passed some legislation to enable use of e-gates. The government has also announced some key policies including, on 10 September, its policy on duty-free purchases. However, the government remains concerned that passengers will not be ready for the changes needed in a no-deal scenario and is planning more communications in the lead-up to 31 October 2019.

EU member state controls

3.11 Our report in February 2019 said that the government acknowledged that if the UK had left the EU on 12 April 2019 without a deal, it was highly likely that member states would have applied full customs and agri-food controls to UK goods entering the EU and that this would have had a significant impact on the flow of traffic across the border.[37]

3.12 For 31 October 2019, the government continues to plan on the basis that EU member states would apply customs and agri-food controls to UK goods. Departments are working to a common set of agreed assumptions about expected flows across the short Channel crossings. These are based, in part, on work that BDG has undertaken to try to understand the controls that EU member states are likely to impose at the border through engagement with ports. **Figure 9** sets out the information and assumptions that the government is building into its planning for day one in a no-deal scenario. Some of these assumptions, such as the number of lorries which would be ready for French customs, are subject to significant uncertainty. The assumptions are subject to periodic review and the latest approved assumptions date from October 2019. The government has revised its assumptions over time following updates to the underlying assessments:

- The previously agreed cross-government planning assumptions about the reasonable worst-case scenario for day one had assumed that France would undertake 100% checks on goods crossing the border. In October 2018 the agreed assumption was for an up to 87% reduction in flow.
- However, France now has the infrastructure and IT systems in place to manage the implementation of customs checks at the short Channel crossings. In June 2019 the government revised its assumptions to reflect these improved preparations and assumed that flow would reduce to 40% – 60% on day one.
- In October 2019 the government further revised its assumptions on flow rate to 45% to 65% on day one with flow gradually improving to 100% over 12 months.

Northern Ireland

3.13 The Northern Ireland and Ireland land border does not have any customs infrastructure, and people and goods can cross freely. If the UK leaves the EU without a deal, different customs and regulatory regimes would apply to Northern Ireland and Ireland. On 13 March 2019 the government confirmed that a strictly unilateral, temporary approach to checks, processes and tariffs in Northern Ireland would apply if the UK leaves the EU without a deal.[38] The UK government would not introduce any new checks or controls on goods at the land border between Ireland and Northern Ireland, including no customs requirements on nearly all goods. Although the UK must apply some measures to comply with international legal obligations, the UK would conduct these checks away from the land border, for example at trader premises or using electronic notifications.

37 Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf

38 The UK government would only apply a small number of measures strictly necessary to comply with international legal obligations, protect the biosecurity of the island of Ireland, or to avoid the highest risks to Northern Ireland businesses – but these measures would not require checks at the border. The guidance was published 13 March 2019: www.gov.uk/guidance/eu-exit-avoiding-a-hard-border-in-northern-ireland-in-a-no-deal-scenario

Figure 9

Information and cross-government reasonable worst-case scenario assumptions on the potential flow of trade between the UK and the EU on day one of a no-deal EU exit

Departments are working to a common set of agreed reasonable worst-case scenario assumptions about expected flows across the short Channel crossings[1]

Imports to the UK from the EU

The European Union → **The United Kingdom**

- The UK government has introduced temporary 'easements' relating to customs declarations and Safety and Security declarations to maintain the flow of goods into the UK.
- In the short term HM Revenue & Customs (HMRC) and Border Force intend to adopt a 'managed transition' approach to dealing with traders who have difficulty in complying with new customs requirements.
- The Department for Environment, Food & Rural Affairs (Defra) does not intend to apply regulatory or safety checks on the majority of agricultural and food-related products and other goods arriving in the UK because it assumes that risks at the border will not change immediately.
- The UK government has data relating to traders' level of preparedness for the requirements that the UK is putting into place including numbers of registrations for UK Economic Operators Registration and Identification (EORI) numbers and registrations for Transitional Simplified Procedures (TSP). In August and September government automatically registered all VAT registered traders for EORI. Approximately 25,000 traders had registered for TSP.

Implications: Lorries that arrive at the UK border are likely to be able to cross into the UK with minimal disruption. However, because hauliers who get stuck on the UK side of the Channel may not be able to get into the EU to pick up their loads, there is likely to be disruption to the flow of goods into the UK.

Exports to the EU from the UK

The United Kingdom → **The European Union**

Based on 'reasonable worst case scenario' planning assumptions as at October 2019:

- Planning assumption (high confidence): The French will apply mandatory controls on UK goods on 'day one' and have built infrastructure and IT systems to manage and process customs and control processes.
- Planning assumption (low confidence): 30% to 60% of lorries travelling via the short Channel straits may be ready for French customs.
- Planning assumption (medium confidence): The lack of trader readiness combined with limited space in French ports to hold 'unready' lorries could reduce the flow rate to 45%–65% of current levels within one day.

Implications: If the government's planning assumptions are accurate then there are likely to be queues on the UK side of the border on roads leading up to Dover and Folkestone, which will impact on flow of goods across the border in both directions.

Note

1 The figure shows the cross-government reasonable worst-case scenario planning assumptions as at October 2019.

Source: National Audit Office

3.14 There is still considerable uncertainty about the border arrangements the Irish government would introduce in the event of no deal. The EU is likely to require Ireland to impose controls on goods entering from Northern Ireland by land, but it is not yet clear what checks would be imposed, where they would take place and what this would mean for Northern Ireland exporters. There is a potential impact on the competitiveness of Northern Ireland businesses. For example, traders in Northern Ireland who wish to export animals and animal products may need to send these via a border inspection post, such as in Dublin, and could not send these products directly across the land border. There would be no such requirement for similar businesses in Ireland who were exporting to Northern Ireland, leading to a competitive disadvantage for Northern Ireland businesses. Furthermore, the UK government recognises that its proposed temporary arrangement has risks, including the risk of organised criminals seeking to exploit any new system, or gaps in that system.

3.15 As in the rest of the UK, in the event of no deal, businesses in Northern Ireland would need Export Health Certificates (EHCs) to export live animals or animal-related products to the EU. As described in paragraphs 2.42 and 2.43, there are concerns that the resources in place for 31 October 2019 would not be sufficient to manage the increased demand for EHCs. This would be a particular issue in Northern Ireland where supply chains are highly integrated and associated costs would severely reduce exports to Ireland.

3.16 In August 2019 the Department for Exiting the European Union's central reporting highlighted the risk that businesses did not yet have all of the detailed information they needed to be able to fully prepare for new Northern Ireland border requirements. Subsequently BDG has worked with the Northern Ireland Office and the Northern Ireland Civil Service to help businesses in Northern Ireland get ready for a no-deal exit. As at 1 October 2019, the Northern Ireland Civil Service considered that businesses in Northern Ireland still did not have all the detailed information that they needed to prepare. In addition, as with elsewhere in the UK, some Northern Ireland businesses are reluctant or unable to prepare a third time for a no-deal exit and incur further costs. Actions in September and October 2019 to help Northern Ireland businesses prepare for no deal included finalising policy for certain goods; revising guidance for traders; and undertaking engagement events with Northern Ireland stakeholders and traders.

3.17 The recent publication of government's reasonable worst-case planning assumptions noted that the temporary arrangements for the Northern Ireland and Ireland land border are likely to prove unsustainable beyond the very short term due to significant economic, legal and biosecurity risks and also pointed to potential for civil unrest.[39] Negotiations with the EU about arrangements for the Northern Ireland and Ireland land border are ongoing. In a no-deal scenario, the UK government has stated it is committed to entering into discussions urgently with the European Commission and the Irish government to jointly agree long-term measures to avoid a hard border.[40]

39 Cabinet Office, *Operation Yellowhammer: HMG Reasonable Worst Case Planning Assumptions as of 02 August 2019*, September 2019. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831199/20190802_Latest_Yellowhammer_Planning_assumptions_CDL.pdf

40 Available at: www.gov.uk/guidance/eu-exit-avoiding-a-hard-border-in-northern-ireland-in-a-no-deal-scenario

Contingency planning

3.18 The agreed cross-government assumptions about the reasonable worst case impact on traffic flow at the UK border in the event of no deal point to likely disruption at the border. The government has again started to implement contingency plans to minimise the impact of disruption if it arises. This work includes: procuring freight capacity to support the supply of critical goods such as medicines; implementing Operation Brock to manage traffic flow in Kent; and activating its civil contingency arrangements.

Procuring freight capacity away from the short Channel crossings

3.19 The Department for Transport (DfT) is procuring, on behalf of government, freight capacity away from the short Channel crossings and announced the award of contracts to four companies on 11 October. This freight capacity is to carry priority goods, defined as those "critical to preservation of human or animal welfare and/or national security for the United Kingdom", which includes medicines. In September 2019, we reported that the time available to put this capacity in place for 31 October was extremely limited and it might not be possible to have all the freight capacity available on that date. DfT's aim is to have as much of the freight capacity for priority goods as possible in place by 31 October, and all of it by 30 November at the latest. In September 2019, we also highlighted that there was still a risk that suppliers operating in the pharmaceutical sector were not sufficiently aware of new border processes and that there was a lack of clarity about how the government-secured freight capacity would operate.[41]

Operation Brock

3.20 Operation Brock is the plan to manage traffic flow in the event of disruption to services across the short Channel crossings. It involves a set of measures to keep the M20 open in both directions between junctions 8 and 9 by using different potential holding areas for use in four phases.[42] In advance of 29 March 2019, the Kent Resilience Forum implemented Operation Brock. On 12 April, after the government announced the extension to Article 50, it stood down these arrangements. However, the steel barrier needed for Brock was left in place due to the time and disruption required to remove and potentially redeploy it in advance of 31 October. In total DfT has calculated that Operation Brock would have capacity to hold about 11,000 lorries against its estimated reasonable worst-case scenario queue of 8,500 lorries.[43]

41 The work that the government has undertaken to procure freight capacity is covered in our report Comptroller and Auditor General, Department of Health & Social Care, *Exiting the EU: Supplying the health and social care sector*, 2017-19, HC 2654, National Audit Office, September 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/09/Exiting-the-EU-supplying-the-health-and-social-care-sectors.pdf

42 Phase One – the holding capacity at Dover Port and Eurotunnel and the A20 approach to Dover port; Phase 2 – the M20; Phase 3 – Manston Airfield and A256; and Phase 4 – the M26.

43 DfT planning assumptions as at June 2019.

3.21 For 31 October 2019, plans for Operation Brock remain as for 12 April 2019, including the introduction of border readiness checks. The key change is that the government intends to make the readiness checks mandatory, rather than advisory, as was the case for April 2019. The government intends to introduce these checks to mitigate the risks of hauliers arriving at the Port of Dover and Eurotunnel without the appropriate documentation, thereby causing queues on UK roads approaching these locations. Checks will be conducted in the Operation Brock queue on the M20, only when traffic is stationary, and it is safe to do so. Checks will also be conducted at Manston Airport when in use for Operation Brock. Drivers will be asked a series of questions to establish whether they appear to be border-ready. If they are not ready, they will not be allowed to proceed to ports or Eurotunnel but will be given the option of going to a new facility adjacent to Ashford International Truck Stop (for vehicles checked on the M20) or to remain at Manston Airport (for vehicles checked at Manston) where, DfT told us, they can stay for 24 hours while they seek the appropriate documentation from their trader. These 'turned back sites' will have facilities to help them do this. If they cannot obtain the appropriate documentation within this time, they will be told to leave the site. If they attempt to proceed to either Dover or Eurotunnel and are stopped without the appropriate documentation, the government is legislating to make these drivers subject to a £300 fixed penalty.

3.22 Drawing on the cross-government reasonable worst-case assumptions for trader readiness, DfT has estimated that, if 80% of lorries carrying loads are not border-ready, just over 3,000 lorries per day might need to be turned back following readiness checks. **Figure 10** on pages 52 and 53 shows the locations in which lorries may be held as part of Operation Brock, the places in which border readiness checks would take place if queues do occur, the border readiness check 'turned back' sites, and the location of the Offices of Departure and Destination (OOD) being put in place by HMRC for transit movements.

3.23 There are a number of organisations involved in the operation of readiness checks and very limited time to get the necessary infrastructure and resources in place in advance of 31 October 2019. DfT and Highways England report that they have contracts in place to recruit staff to undertake these checks. As at 9 October they report they had trained 186 staff of an envisaged total for both Manston and M20 of 200 to 250 staff. As at October 2019 the government was still finalising its plans for the mandatory readiness checks and developing its plans for the turned back sites. The necessary secondary legislation to enforce border readiness checks has been approved by the House of Lords and is awaiting final approval in the House of Commons, to enter into force from 31 October 2019.

3.24 Stakeholders we spoke to raised several concerns about how readiness checks would operate in practice. These included that it is traders and not hauliers who would need to complete the appropriate customs declaration; that it is unlikely that traders could do so within 24 hours unless they were already registered with a customs agent; and whether it would be reasonable to expect hauliers, particularly those from outside the UK, to undertake the administrative tasks needed to obtain the necessary documentation. In particular, the Kent Local Resilience Forum was concerned that, as at 4 October, they had not yet seen an agreed operating model for the readiness checks, and that ownership of the model in government was unclear. BDG and DfT told us they were working urgently with Kent partners to finalise arrangements. As at 8 October 2019, BDG rated the introduction of the checks as amber due to challenging timescales, uncertainties around unauthorised disposals of loads by hauliers carrying perishable goods and delays in completion of planned works.

Operation Yellowhammer

3.25 To manage the potential impact of leaving the EU without a deal the government is once again preparing to activate its contingency plans which all sit within what is known as Operation Yellowhammer. Operation Yellowhammer comprises 12 workstreams which focus on mitigating short-term, severe, disruptive impacts of a no-deal exit. This includes residual impacts where planned mitigations are not delivered in time or would not be sufficient. Operation Yellowhammer is managed by the Civil Contingencies Secretariat within the Cabinet Office. Should Yellowhammer become operational it could involve more than 30 central government bodies, including almost all government departments. It would also involve the 42 local resilience forums who are responsible for planning how to manage any potential emergencies which may result from a no-deal exit in their local area.

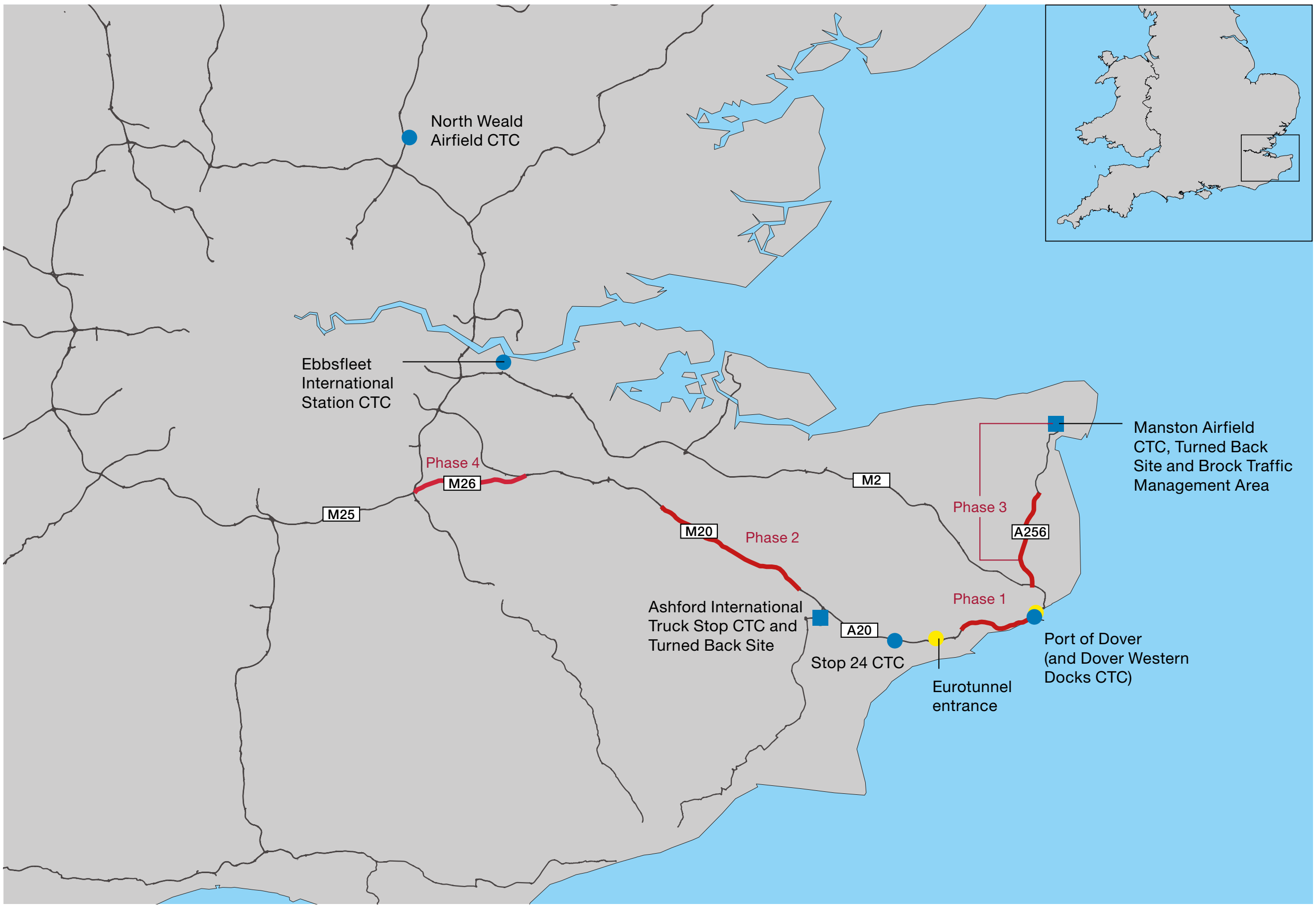
3.26 On 11 September 2019, the government published the reasonable worst-case planning assumptions on which it bases its Operation Yellowhammer activity.[44] In addition to setting out some of the possible direct consequences in relation to the border in a reasonable worst case scenario, such as queues at the border and a decrease in certain types of fresh food, the assumptions set out some potential longer-term consequences of a no-deal exit such as potential disruption to law enforcement and data-sharing between the UK and the EU. In a no-deal scenario, the UK would lose access to, or no longer participate in, the EU internal security tools that facilitate day-to-day law enforcement and judicial cooperation with Member States, which would have some impact at the border. The Home Office told us that it has been working closely with operational partners, and engaging with EU Member States, to transition cooperation to alternative, non-EU arrangements where available (see Appendix Four).

44 See footnote 39.

Figure 10

Operation Brock, transit inspection and readiness checks locations for holding lorries

There are six transit inspection sites, of which two are also planned turned back sites for Operation Brock



- Common Transit Convention (CTC) Sites
- CTC and Turned Back Sites
- Brock Traffic Management Area
- Key UK Entry and Exit points
- Main road network
- M25 Road numbers

Figure 10 *continued*
Operation Brock, transit inspection and readiness checks locations for holding lorries

Notes

1 Common Transit Convention (CTC) sites – Places where inbound/outbound hauliers go to Offices of Departure or Destination to receive or show their transit documentation and have ATA Carnets stamped.

2 Turned Back Sites – vehicle holding areas to which hauliers can proceed following a failed border readiness check.

3 Brock Traffic Management Area – Holding areas for traffic heading to the Dover and Eurotunnel ports, in order to keep traffic flowing on the M20 in both directions. Phases are activated as required.

4 Phase 1 – Dover Traffic Assessment area of the A20 on the approach to Dover Port from Roundhill Tunnel; Phase 2 – Junction 8-9 of the M20;
Phase 3 – Vehicles held at Manston Airfield and then held again at traffic lights on the A256 after the Sandwich Bypass; Phase 4 – Junction 3-5 of the M26.

Source: National Audit Office analysis of Border Delivery Group, DfT, Highways England and HM Revenue & Customs documents and data

3.27 Two of the 12 workstreams relate to the UK border: 'Disruption to people crossing the border' and 'Disruption to key goods crossing the border'. These are managed by the Border and Supply Chain Impact Group (BSIG) within BDG, which is responsible for coordinating policy on matters arising in relation to the two border-related strands and the collation of supporting information and data. BSIG activated its operations in advance of 12 April 2019 and is in the process of doing so again. It has premises from which to operate and has recruited and trained 69 people to meet operational and surge capability requirements.

3.28 In the event of no deal on 31 October 2019, BSIG would have primary responsibility for ensuring that there is cross-government awareness of matters relating to the border. For this purpose, it has set up a control room where it will receive data on issues relating to the border, for example traffic flows, weather conditions and situations which need resolving. It plans to operate this control room on a 24-hour basis for at least three months after a no-deal exit on 31 October 2019. BSIG has three key priorities for 31 October 2019 which are:

- ensuring there is quick situational awareness across departments of issues at the border which need resolving;
- facilitating resolution across departments where possible; and
- escalating issues for resolution to the Civil Contingency Secretariat where necessary.

Appendix One

Our audit approach

1 This study provides an independent view on the government's preparedness for a no-deal EU exit on 31 October 2019 at the border.

2 We developed an analytical framework to examine:

- the government and departments' actions to prepare for a no-deal exit at the border on 31 October 2019; and
- the government and departments' actions to mitigate the risks associated with a no-deal exit at the border on 31 October 2019.

Our audit approach is summarised in **Figure 11** overleaf. Our evidence base is described in Appendix Two.

Figure 11
Our audit approach

The objective of the government

The government's objective is to be prepared at the border for the UK's withdrawal from the EU on 31 October 2019 without a deal. 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 policy of the current government is that it will seek to renegotiate the Withdrawal Agreement with the EU. If it is not possible to reach a deal, the government has ramped up preparations for leaving without a deal on 31 October 2019. Preparations for leaving without a deal has required the government to put in place new systems, upgrade existing systems and make further extensive changes to minimise potential disruption at the border. It must also manage risks over which it has less control.

Our study

This report is part of our ongoing programme of work across government to examine how the 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 a no deal EU exit on 31 October 2019.

Our evaluative criteria

1 The government and departments have taken action to prepare for a no deal exit.

2 The government and departments have taken action to mitigate the risks associated with a no-deal exit.

Our evidence (see Appendix Two for details)

We examined the government and departments' actions to prepare for a no-deal exit and mitigate risks by:

- reviewing and analysing departments' documents including board papers, delivery plans, submissions to ministers, modelling analysis;
- conducting interviews with key personnel responsible for EU exit preparations within departments;
- analysing submissions from stakeholders; and
- A case study visit to a port.

Our concluding remarks

The government has made progress with putting in place the systems, infrastructure and resources required to manage the border if the UK leaves the EU without a deal on 31 October 2019. However, there is still some work to do to finalise arrangements in the short time that remains and bringing all these elements together for the first time in a live environment carries inherent risk.

The most significant risks to the operation of the border remain, namely business readiness, EU member states imposing controls, and arrangements for the Northern Ireland and Ireland land border. Although the government has actions underway to influence these, mitigating these risks is now, to some extent, out of its control. It is impossible to know exactly what would happen at the border in the event of no deal on 31 October 2019. Departments face new challenges in monitoring and responding to any disruption that may ensue. This includes supporting businesses and individuals in meeting their new obligations, mitigating risks of the border becoming vulnerable to fraud, smuggling or other criminal activity, and activating civil contingency plans if necessary.

Many of the new arrangements the government plans to implement at the border to facilitate flow on day one would be temporary, and it will take some time for a fully functioning border to be put in place. In determining longer-term arrangements, the government would need to balance enabling the flow of traffic across the border with introducing appropriate controls to minimise the risk of non-compliance or criminal activity.

Appendix Two

Our evidence base

1 Our independent conclusions on how prepared the government and departments are for the changes needed at the border in the event of a no-deal EU exit were reached following our analysis of the data we collected. Our fieldwork took place from July to September 2019.

2 We applied our analytical framework to assess the government's actions to prepare for a no-deal exit at the border and to manage the risks of a no-deal exit. Our audit approach is outlined in Appendix One.

3 We examined the government and departments' progress in preparing for a no-deal exit and managing risk by:

- reviewing and analysing government documents. This included management information provided to key boards, the Border Delivery Group and the Department for Exiting the European Union. We also examined Border Delivery Group reports containing information and updates on key risks including the 10 no-deal priorities, documentation on border-related workstreams from the Border Delivery Group, the Department for Exiting the European Union and other departments with responsibilities at the Border, and details of departments' assumptions;
- conducting interviews with key personnel responsible for preparation at the border across government departments and agencies including the Border Delivery Group; HM Revenue & Customs; the Home Office including Border Force; the Department for Environment, Food & Rural Affairs; the Food Standards Agency; the Department for Transport; Highways England; the Department for International Trade and the Department for Exiting the European Union; 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 including those in the transport and logistics sector that may be affected by changes at the UK border for EU exit. We also visited Dover port, and spoke with other ports, port associations, and Eurotunnel.

Appendix Three

Key stakeholders at the border

1 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.

2 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.
- HM Revenue & Customs (HMRC) is responsible for collecting tax and duties, and processing customs declarations on trade outside the EU. In 2018-19 HMRC collected an estimated £42.4 billion at the border and processes more than 55 million customs declarations each year. Border Force undertakes enforcement work at the border on HMRC's behalf.
- 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.
- The Department for International Trade is responsible for securing new trade agreements with other countries and defining the UK's tariff regime.
- The Department for Transport has fewer responsibilities for the border. It manages the impact on transport resulting from any new border processes.

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

45 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 (RORO) port.

Appendix Four

An update on other programmes we have reported on previously

Figure 12

An update on other border-related programmes we have reported on previously

Department	Project	Description	Overview of key developments since we last reported on this project in October 2018 and/or February 2019
Department for Environment, Food & Rural Affairs	Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES)	After the UK leaves the EU, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) controls that previously applied at the EU border will apply at the UK border. Defra estimates up to a threefold increase in the number of CITES permits issued per year after EU exit, from approximately 50,000 to up to 150,000 per year. Permits must be presented to Border Force for inspection and endorsement.	In February 2019, the government announced its intention to designate 25 Points of Entry and Exit (PoE) for the movement of CITES specimens into and out of the UK, when the UK leaves the EU. On 19 September, the government announced that 4 additional locations will also be designated for CITES movements. These are Dover, Eurotunnel, Holyhead and Belfast seaport, and brings the total number to 29 PoE to be designated in the event of a no-deal exit. Work is ongoing to address operational issues such as securing locations where CITES specimens can be checked.
HM Revenue & Customs	Customs Declaration Service (CDS)	HMRC is developing CDS to handle and risk assess customs declarations, and account for payment of duties. It will replace the existing CHIEF system. We have previously reported twice specifically on the implementation of CDS and provided an update to the position in our February border update report.[1]	HMRC has fallen further behind on its delivery timescales for CDS since we last reported in February 2019. This is because HMRC and software developers have focused their activity on 'no deal' preparations such as scaling up CHIEF to handle the additional customs declarations which may be required under 'no deal' and delivering other functional changes. The delays in the delivery of CDS mean that HMRC has had to extend its contract with its commercial partner Fujitsu, who support CHIEF, by 12 months at a cost of approximately £12 million. It is currently considering whether to further extend the contract but no decision on this has yet been taken.
Home Office	Law Enforcement and National Security Systems	The Home Office is developing contingency solutions to seek to mitigate the impact of the potential loss of access to EU security, law enforcement and criminal justice tools if the UK leaves the EU without a deal.	In October 2018 we reported that, in regard to border security, the Home Office believed no deal would present both risks and opportunities. Additional checks at the border would present an opportunity to improve border security in relation to goods in the longer term. However, it would lead to a weakening of security in relation to people due to the potential loss of access to EU security, law enforcement and criminal justice tools such as the Schengen Information System. The Home Office told us it has been developing and implementing contingency solutions to mitigate some of the impact of loss of these tools, by transitioning cooperation to alternative, non-EU arrangements where available. This would mean making more use of existing non-EU arrangements such as Interpol and bilateral channels. However, it acknowledges that even if all mitigating actions are in place, UK capabilities would still be reduced if there is no deal.

Note

1 Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf

Comptroller and Auditor General, *The Customs Declaration Service: a progress update*, Session 2017-2019, HC 1124, National Audit Office, June 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/06/The-Customs-Declaration-Service-a-progress-update.pdf

Comptroller and Auditor General, *The Customs Declaration Service*, Session 2017-2019, HC 241, National Audit Office, July 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/07/The-Customs-Declaration-Service.pdf

Source: National Audit Office analysis of Border Delivery Group and departments' documents

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

Appendix Five

Illustrative examples of importing and exporting goods through roll-on, roll-off ports and Eurotunnel in the event of no deal

Figure 13

Illustrative examples of importing and exporting goods through roll-on, roll-off ports and Eurotunnel in the event of no deal

Importing from the EU to the UK through RORO ports and Eurotunnel on day one

Before commencing journey to the border

Importing and making a full customs declaration

Importer to register for an EORI with HMRC → Importer to pre-lodge full import declaration through customs agent or using software that links to CHIEF/CDS → HMRC to provide Master Reference Number (MRN) to importer through CHIEF, who provides it to their haulier/ freight forwarder[2]

Importing using Transitional Simplified Procedures

Importer to register for an EORI with HMRC, for a duty deferment account if duties are applied to the goods and with IRVS if not already VAT registered → Importer to pre-lodge simplified import declaration through customs agent or using software that links to CHIEF/CDS, or make an entry in their own records if using standard TSP → HMRC to provide Master Reference Number through CHIEF/CDS to importer who provides it to haulier

Notes

1 These diagrams are written from the perspective of a trader based in the UK, except for the section on transit which applies in both directions There will be some additional customs and other regulatory requirements relating to the controls in EU member states which are not captured.

2 The Master Reference Number is generated by CHIEF/CDS for each import or export declaration. It is used to identify an individual consignment. HGVs carrying multiple consignments will require multiple MRNs. The MRN in CHIEF does not link to any EU systems.

3 If traders are making a simplified frontier declaration they must make a supplementary declaration and pay by the following month. If making an entry in their own records this must happen within six months.

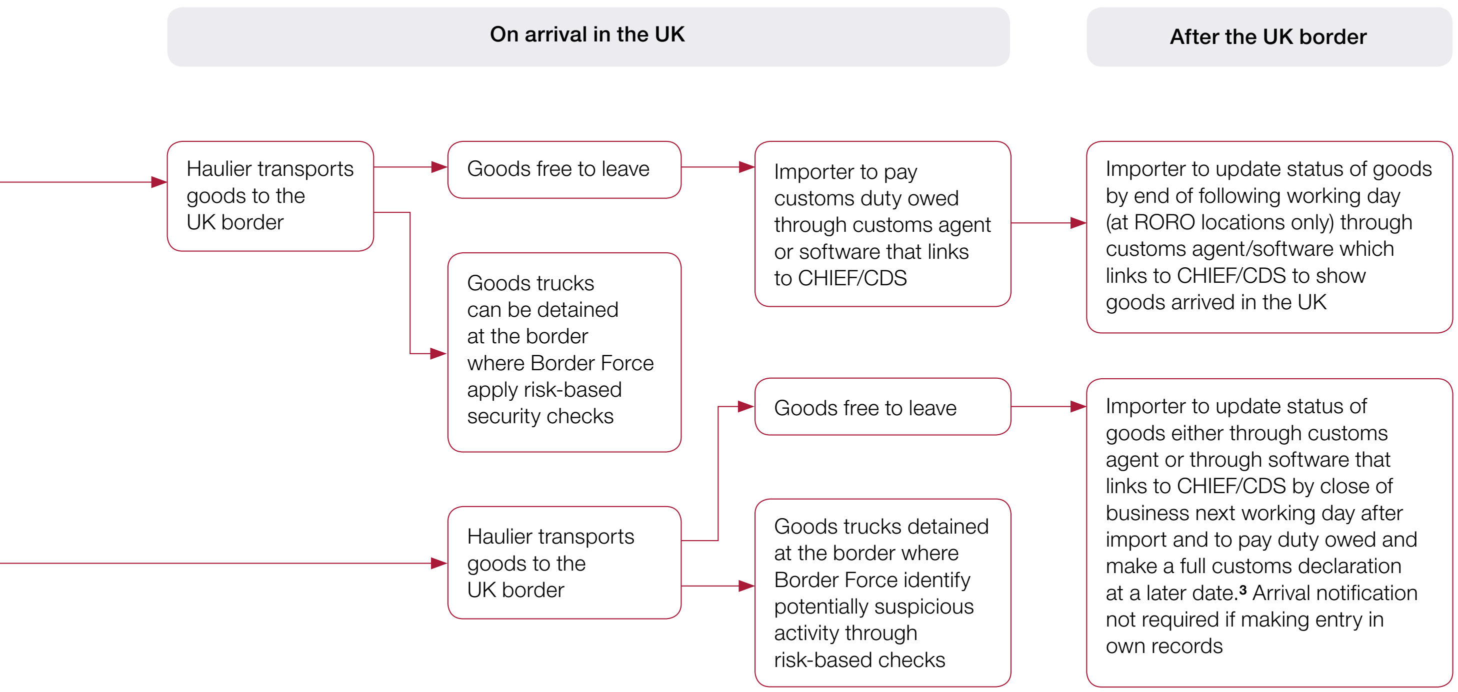
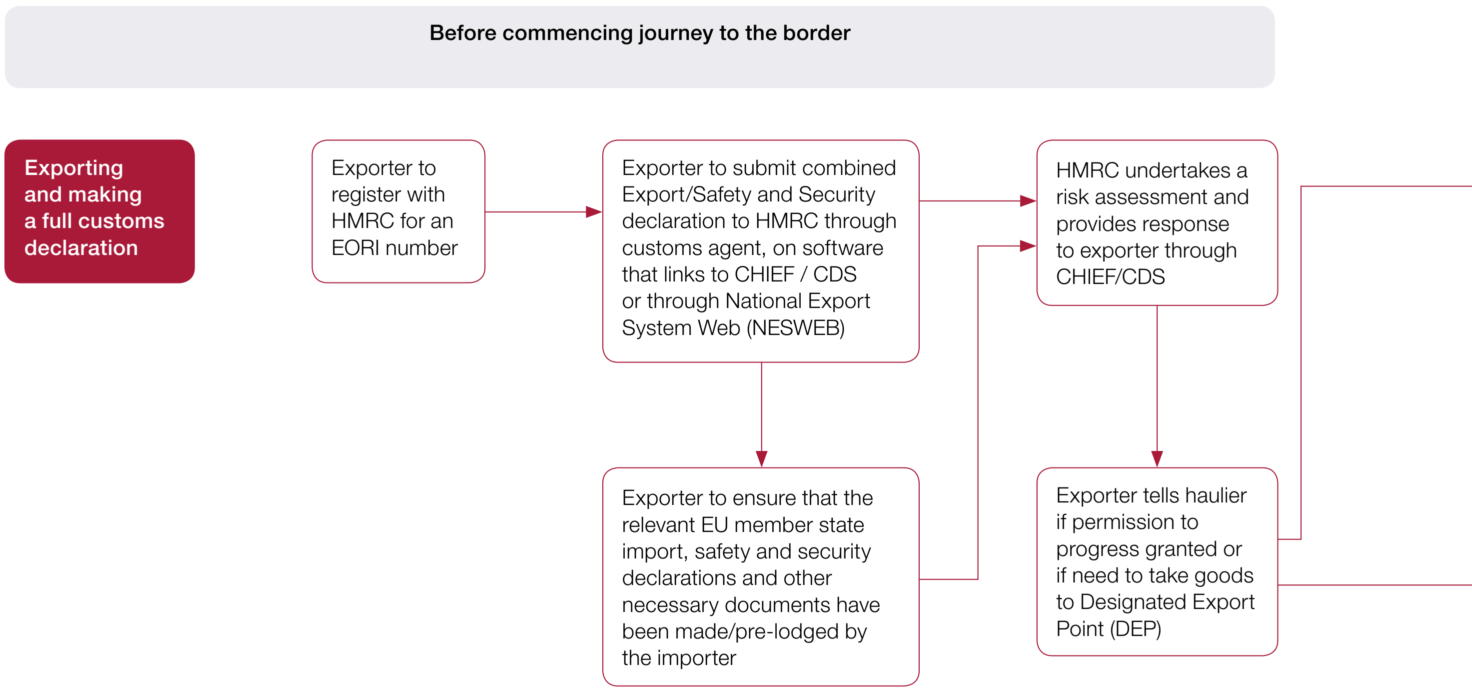

On arrival in the UK
After the UK border
Haulier transports goods to the UK border
Goods free to leave
Importer to pay customs duty owed through customs agent or software that links to CHIEF/CDS
Importer to update status of goods by end of following working day (at RORO locations only) through customs agent/software which links to CHIEF/CDS to show goods arrived in the UK
Goods trucks can be detained at the border where Border Force apply risk-based security checks
Goods free to leave
Importer to update status of goods either through customs agent or through software that links to CHIEF/CDS by close of business next working day after import and to pay duty owed and make a full customs declaration at a later date.[3] Arrival notification not required if making entry in own records
Haulier transports goods to the UK border
Goods trucks detained at the border where Border Force identify potentially suspicious activity through risk-based checks

Figure 13 *continued*

Illustrative examples of importing and exporting goods through roll-on, roll-off ports and Eurotunnel in the event of no deal

Exporting from the UK to the EU thorugh RORO ports and Eurotunnel on day one



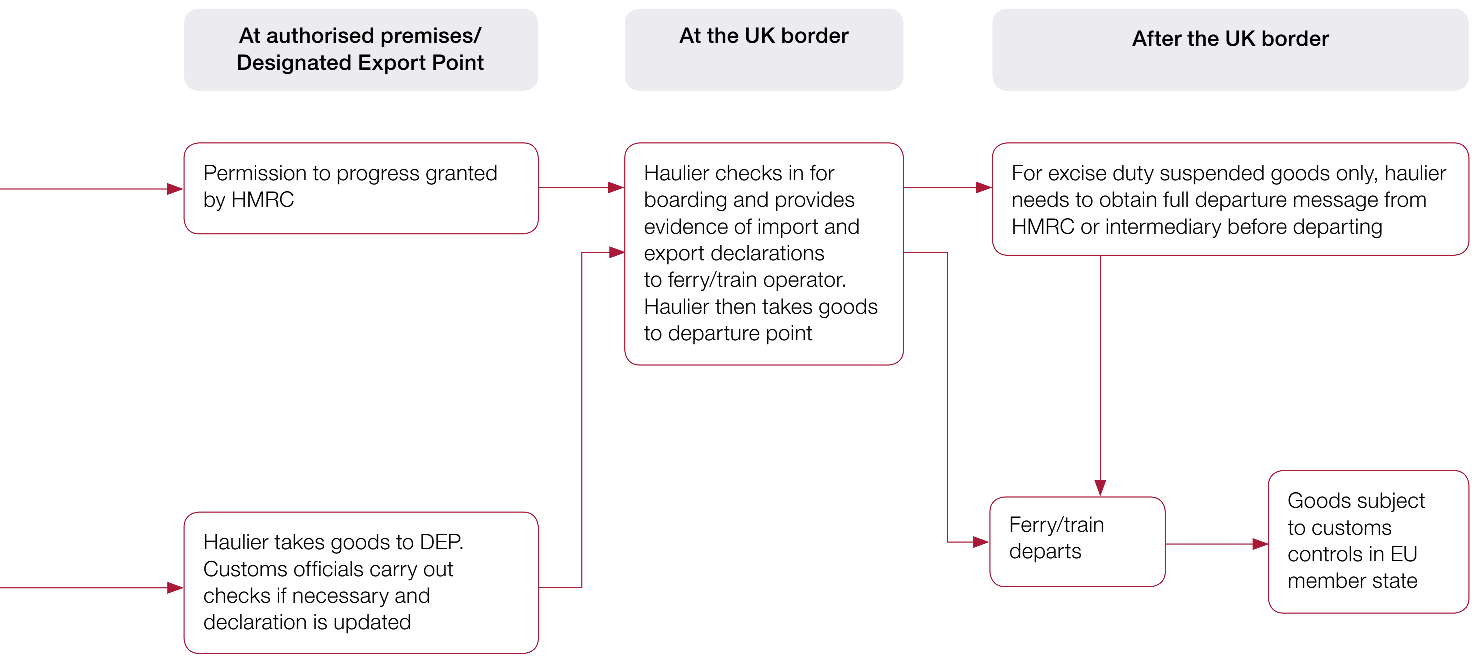
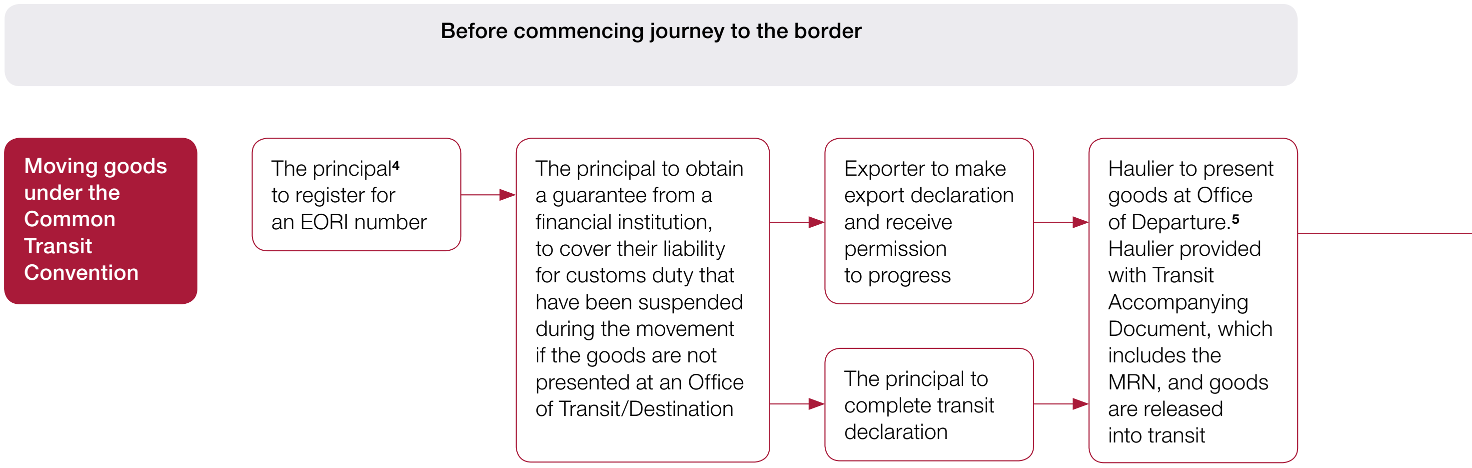

At authorised premises/ Designated Export Point
At the UK border
After the UK border
Permission to progress granted by HMRC
Haulier checks in for boarding and provides evidence of import and export declarations to ferry/train operator. Haulier then takes goods to departure point
For excise duty suspended goods only, haulier needs to obtain full departure message from HMRC or intermediary before departing
Haulier takes goods to DEP. Customs officials carry out checks if necessary and declaration is updated
Ferry/train departs
Goods subject to customs controls in EU member state

Figure 13 *continued*

Illustrative examples of importing and exporting goods through roll-on, roll-off ports and Eurotunnel in the event of no deal

Moving goods under the Common Transit Convention on day one



Notes

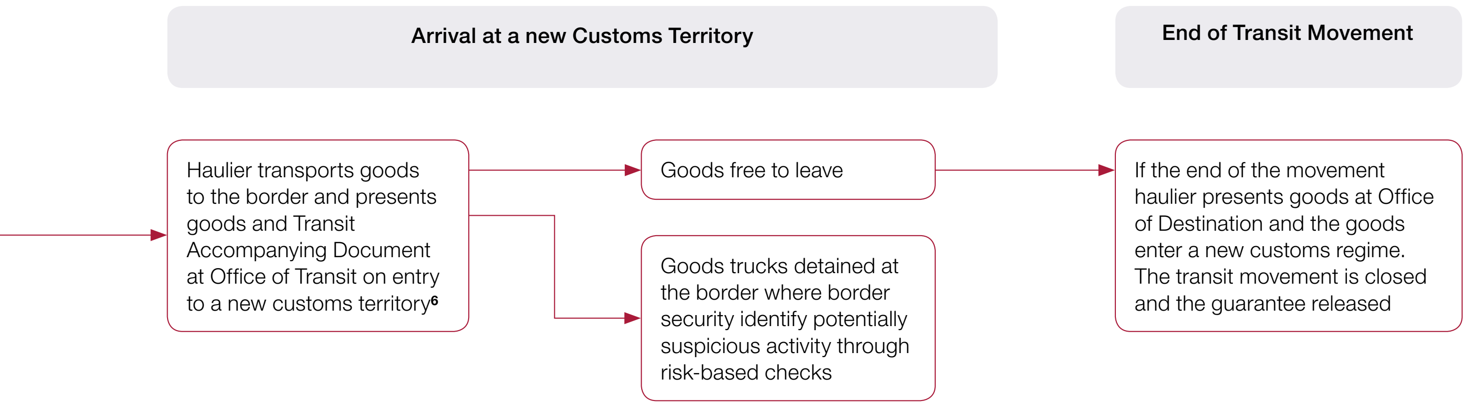
4 The 'principal' to a transit movement is the importer/exporter with primary responsibility for the transit movement. In some instances this might be the same person/organisation.

5 Under the Common Transit Convention traders can apply for authorisation to use simplified transit procedures. The main types of authorised status are Authorised Consignor Status and Authorised Consignee Status. These allow traders to declare goods at their premises rather than at an Office of Departure and to end transit movements at their premises rather than at an Office of Destination.

6 In the case of goods being transported to Dover, Eurotunnel and Holyhead, Offices of Transit functions including Transit Accompanying Document (TAD) scanning will take place before boarding the ferry/train to the UK. TAD's are only scanned on entry to the UK, not on exit.

7 Government's guidance for traders to follow on importing from the EU to the UK after Brexit can be found here: www.gov.uk/prepare-import-to-uk-after-brexit and on exporting from the UK to the EU after Brexit can be found here: www.gov.uk/prepare-export-from-uk-after-brexit

Source: National Audit Office analysis of HM Revenue & Customs documents


Arrival at a new Customs Territory
End of Transit Movement
Haulier transports goods to the border and presents goods and Transit Accompanying Document at Office of Transit on entry to a new customs territory[6]
Goods free to leave
Goods trucks detained at the border where border security identify potentially suspicious activity through risk-based checks
If the end of the movement haulier presents goods at Office of Destination and the goods enter a new customs regime. The transit movement is closed and the guarantee released

CORRECTION SLIP

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Correction One:
The date in the final sentence of paragraph 2.11 (page 24) does not match the date in Figure 5 and needs amending from 1 October to 8 October.

Text currently reads:
2.11 The BDG is responsible for scoping, planning, coordinating and ensuring delivery of the necessary change plans to ensure the border works effectively after EU exit. In July 2019, following receipt of a new remit letter from the Chief Executive of the Civil Service, and in anticipation of a likely ramping up of no-deal preparation, BDG reviewed its work programme and identified 10 priority areas for its work in preparation for a possible no-deal exit on 31 October 2019. **Figure 5** sets out these priorities, BDG's assessment of the risk position of these areas of work as at 1 October 2019, and where we cover these issues within this report.

Text should read:
2.11 The BDG is responsible for scoping, planning, coordinating and ensuring delivery of the necessary change plans to ensure the border works effectively after EU exit. In July 2019, following receipt of a new remit letter from the Chief Executive of the Civil Service, and in anticipation of a likely ramping up of no-deal preparation, BDG reviewed its work programme and identified 10 priority areas for its work in preparation for a possible no-deal exit on 31 October 2019. **Figure 5** sets out these priorities, BDG's assessment of the risk position of these areas of work as at 8 October 2019, and where we cover these issues within this report.

BACK

Correction Two:
The third sentence in paragraph 3.5 (page 44) regarding the total number of traders registered for Transitional Simplified Procedures needs updating to reflect the situation as at 8 October 2019 to bring it into alignment with the numbers and date set out in the key facts.

Text currently reads:
3.5 In August and September 2019, following lower than anticipated applications for EORI numbers, HMRC automatically allocated more than 88,000 VAT-registered businesses with EORI numbers taking the total number of traders registered in September to over 160,000. HMRC is not able to contact traders who are not VAT registered because it cannot identify which of these traders trade with the EU. As at 1 October 2019 the total number of traders registered for TSP was approximately 20,000. In order to import goods from the EU without having to make a full customs declaration at the UK border, traders must either be registered for TSP, or able to transport goods under the Common Transit Convention (CTC).

Text should read:
3.5 In August and September 2019, following lower than anticipated applications for EORI numbers, HMRC automatically allocated more than 88,000 VAT-registered businesses with EORI numbers taking the total number of traders registered in September to over 160,000. HMRC is not able to contact traders who are not VAT registered because it cannot identify which of these traders trade with the EU. As at 8 October 2019 the total number of traders registered for TSP was approximately 25,000. In order to import goods from the EU without having to make a full customs declaration at the UK border, traders must either be registered for TSP, or able to transport goods under the Common Transit Convention (CTC).

BACK

Date of correction: 18 October 2019

Correction Three:

The fourth box on the top row of Figure 12 (page 61) under the column heading, "Overview of key developments since we last reported on this project in October 2018 and / or February 2019" did not reflect the latest situation at the time of publishing.

Text currently reads:

Figure 12

An update on other border-related programmes we have reported on previously

Department	Project	Description	Overview of key developments since we last reported on this project in October 2018 and/or February 2019
Department for Environment, Food & Rural Affairs	Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES)	After the UK leaves the EU, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) controls that previously applied at the EU border will apply at the UK border. Defra estimates up to a threefold increase in the number of CITES permits issued per year after EU exit, from approximately 50,000 to up to 150,000 per year. Permits must be presented to Border Force for inspection and endorsement.	In February 2019, Defra and the Animal and Plant Health Authority (APHA) announed the designated list of points of entry or exit for CITES if there was 'no deal' on 12 April. In preparation for 31 October government is planning to extend the number of points of entry and exit to include the ports of Belfast, Dover and Holyhead and the rail terminal Eurotunnel. Work is ongoing to address operational issues such as securing locations where CITES specimens can be checked.
HM Revenue & Customs	Customs Declaration Service (CDS)	HMRC is developing CDS to handle and risk assess customs declarations, and account for payment of duties. It will replace the existing CHIEF system. We have previously reported twice specifically on the implementation of CDS and provided an update to the position in our February border update report.[1]	HMRC has fallen further behind on its delivery timescales for CDS since we last reported in February 2019. This is because HMRC and software developers have focused their activity on 'no deal' preparations such as scaling up CHIEF to handle the additional customs declarations which may be required under 'no deal' and delivering other functional changes. The delays in the delivery of CDS mean that HMRC has had to extend its contract with its commercial partner Fujitsu, who support CHIEF, by 12 months at a cost of approximately £12 million. It is currently considering whether to further extend the contract but no decision on this has yet been taken.
Home Office	Law Enforcement and National Security Systems	The Home Office is developing contingency solutions to seek to mitigate the impact of the potential loss of access to EU security, law enforcement and criminal justice tools if the UK leaves the EU without a deal.	In October 2018 we reported that, in regard to border security, the Home Office believed no deal would present both risks and opportunities. Additional checks at the border would present an opportunity to improve border security in relation to goods in the longer term. However, it would lead to a weakening of security in relation to people due to the potential loss of access to EU security, law enforcement and criminal justice tools such as the Schengen Information System. The Home Office told us it has been developing and implementing contingency solutions to mitigate some of the impact of loss of these tools, by transitioning cooperation to alternative, non-EU arrangements where available. This would mean making more use of existing non-EU arrangements such as Interpol and bilateral channels. However, it acknowledges that even if all mitigating actions are in place, UK capabilities would still be reduced if there is no deal.

Note

1 Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf

Comptroller and Auditor General, *The Customs Declaration Service: a progress update*, Session 2017-2019, HC 1124, National Audit Office, June 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/06/The-Customs-Declaration-Service-a-progress-update.pdf

Comptroller and Auditor General, *The Customs Declaration Service*, Session 2017-2019, HC 241, National Audit Office, July 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/07/The-Customs-Declaration-Service.pdf

Source: National Audit Office analysis of Border Delivery Group and departments' documents

Text should read:

Figure 12
An update on other border-related programmes we have reported on previously

Department	Project	Description	Overview of key developments since we last reported on this project in October 2018 and/or February 2019
Department for Environment, Food & Rural Affairs	Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES)	After the UK leaves the EU, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) controls that previously applied at the EU border will apply at the UK border. Defra estimates up to a threefold increase in the number of CITES permits issued per year after EU exit, from approximately 50,000 to up to 150,000 per year. Permits must be presented to Border Force for inspection and endorsement.	In February 2019, the government announced its intention to designate 25 Points of Entry and Exit (PoE) for the movement of CITES specimens into and out of the UK, when the UK leaves the EU. On 19 September, the government announced that 4 additional locations will also be designated for CITES movements. These are Dover, Eurotunnel, Holyhead and Belfast seaport, and brings the total number to 29 PoE to be designated in the event of a no-deal exit. Work is ongoing to address operational issues such as securing locations where CITES specimens can be checked.
HM Revenue & Customs	Customs Declaration Service (CDS)	HMRC is developing CDS to handle and risk assess customs declarations, and account for payment of duties. It will replace the existing CHIEF system. We have previously reported twice specifically on the implementation of CDS and provided an update to the position in our February border update report.[1]	HMRC has fallen further behind on its delivery timescales for CDS since we last reported in February 2019. This is because HMRC and software developers have focused their activity on 'no deal' preparations such as scaling up CHIEF to handle the additional customs declarations which may be required under 'no deal' and delivering other functional changes. The delays in the delivery of CDS mean that HMRC has had to extend its contract with its commercial partner Fujitsu, who support CHIEF, by 12 months at a cost of approximately £12 million. It is currently considering whether to further extend the contract but no decision on this has yet been taken.
Home Office	Law Enforcement and National Security Systems	The Home Office is developing contingency solutions to seek to mitigate the impact of the potential loss of access to EU security, law enforcement and criminal justice tools if the UK leaves the EU without a deal.	In October 2018 we reported that, in regard to border security, the Home Office believed no deal would present both risks and opportunities. Additional checks at the border would present an opportunity to improve border security in relation to goods in the longer term. However, it would lead to a weakening of security in relation to people due to the potential loss of access to EU security, law enforcement and criminal justice tools such as the Schengen Information System. The Home Office told us it has been developing and implementing contingency solutions to mitigate some of the impact of loss of these tools, by transitioning cooperation to alternative, non-EU arrangements where available. This would mean making more use of existing non-EU arrangements such as Interpol and bilateral channels. However, it acknowledges that even if all mitigating actions are in place, UK capabilities would still be reduced if there is no deal.

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Source: National Audit Office analysis of Border Delivery Group and departments' documents

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