National Audit Office

Report
by the Comptroller
and Auditor General

Cross-government

The UK border: preparedness for the end of the transition period

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Report by the Comptroller and Auditor General

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This report sets out the progress of government and departments' in implementing the changes required to manage the border after the end of the transition period and highlights the most significant risks.

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Contents

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Key facts

270m

HM Revenue & Customs (HMRC) estimate of the annual number of customs declarations it may be necessary to process from 2021, compared with current volumes of 55 million

40% to 70%

proportion of laden lorries travelling to the EU that will not be ready for EU customs requirements, under the government's reasonable worst-case scenario

£1.41bn

funding announced by government during 2020 to fund new border infrastructure and systems and wider support for the border industry

219.5 million tonnes of freight that crossed the border between the UK and the rest of the EU in 2019, not including an unknown amount that crossed the border between Northern Ireland (NI) and Ireland

7,000 maximum number of lorries that may need to queue at the short Channel crossings under government's reasonable worst-case scenario

60% to 80% percentage of normal flow of lorries at the short Channel crossings in the weeks following the end of the transition period, under the government's reasonable worst-case scenario

Summary

1 On 17 October 2019 the UK and the EU concluded the Withdrawal Agreement, establishing the terms of the UK leaving the EU. This was put into UK law by the Withdrawal Agreement Act in the UK Parliament on 21 January 2020. On 31 January 2020 the UK left the EU, no longer participating in the EU's decision-making, and entered a transition period. During this period, existing rules on trade, travel and business between the UK and the EU continue to apply.

2 The transition period is due to end on 31 December 2020, at which point the UK will cease to be part of the EU single market and customs union. From 1 January 2021 there will be changes in how the UK trades with the EU and in the customs, safety and regulatory checks required at the UK-EU border. The EU will also begin treating the UK as a third country and implement full controls on goods passing between the UK and the EU. The UK is in the process of negotiating its future relationship with the EU, including seeking to reach a free trade agreement (FTA). Unlike for previous deadlines, regardless of the outcome of the negotiations there will be significant change at the border from 31 December. An FTA may alter the scale and nature of some border requirements, for example by reducing or eliminating tariffs, but will not remove them. There may also be additional obligations for businesses to comply with to obtain the benefits of any FTA.

3 Many of the preparations that government departments are making for the end of the transition period build on their previous no-deal plans, which focused on putting in place a minimum operating capability for 'day one'. However, there are two elements for which departments have not previously undertaken any significant preparations – implementing the Northern Ireland Protocol from 1 January 2021 and introducing an import control regime.[1] The government originally intended to implement a new import control regime from 1 January 2021, but on 12 June 2020 the government announced it would not seek an extension to the transition period beyond 31 December 2020 and would adopt a three-stage phased approach to introducing import controls, with full import controls to be in place by 1 July 2021.

4 The Northern Ireland Protocol is part of the Withdrawal Agreement and sets out the basis on which trade will be conducted in and out of Northern Ireland, recognising the specific circumstances in Ireland and Northern Ireland in the context of the Belfast (Good Friday) Agreement. In order to avoid the introduction of any hard border between Ireland and Northern Ireland, while still maintaining the integrity of the EU single market, Northern Ireland will be part of the UK's customs territory but apply the EU's customs rules and follow EU single market rules.

1 The UK and the EU agreed the Northern Ireland Protocol on 17 October 2019.

5 Since the UK's decision to leave the EU in 2016, the National Audit Office has reported four times on the management of the UK border, focusing primarily on the government's preparedness for exiting the EU without a deal.[2] We highlighted key risks around systems development, infrastructure and resourcing, and industry and trader readiness.

6 As a result of the ongoing negotiations and wider political context there have been many political developments relating to EU Exit and the management of the border to which departments have had to respond since we last reported. The purpose of this report is to: set out how the government and departments have been preparing to manage the border after the end of the transition period; to set out their degree of preparedness to implement their plans; and to highlight the significant risks to the effective functioning of the border from 1 January 2021. It is based on information available up to 30 October 2020.

- In Part One we set out the background to preparations for the end of the transition period and government's planning assumptions.
- In Part Two we report on progress with implementing the arrangements required to manage Great Britain's (GB's) border from 1 January 2021.
- In Part Three we report on progress with implementing the Northern Ireland Protocol for 1 January 2021.
- In Part Four we report on progress with implementing the arrangements required to manage the GB border from 1 July 2021. In this part we also consider some longer-term issues relevant to the management of the border.

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.

2 Comptroller and Auditor General, *The UK border: preparedness for EU Exit October 2019*, Session 2019-20, HC 98, National Audit Office, October 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/10/The-UK-border-preparedness-for-EU-exit-October-2019.pdf; 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 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; Comptroller and Auditor General, *The UK border,* Session 2017–2019, HC 513, October 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/10/The-UK-border.pdf

7 We have examined the work of all UK government departments with significant responsibilities at the border. This includes HM Revenue & Customs (HMRC), the Department for Environment, Food & Rural Affairs, the Home Office, the Department for Transport, and the Border and Protocol Delivery Group (BPDG) and Transition Task Force (TTF), which are both situated within the Cabinet Office. BPDG is responsible for coordinating government's preparations in relation to the border and TTF has oversight of overall EU Exit preparations, following the closure of the Department for Exiting the European Union in January 2020. We have also engaged with departments within the Northern Ireland civil service which have the most significant roles in relation to the Northern Ireland Protocol.

8 This report sets out the progress of government and departments in implementing the changes required to manage the border after the end of the transition period and highlights the most significant risks. Our examination focuses primarily on the movement of goods through ports, including roll-on, roll-off (RORO) ports, where the most change is required.[3,4] The government is spending significant sums of money preparing the border for the end of the transition period. In 2020 alone, the government announced £1.41 billion to fund new infrastructure and systems, and wider support and investment.[5] In this report we do not present a comprehensive view of costs, nor do we reach a final conclusion on the value for money of government's preparations at the border for the end of the transition period.[6] As well as preparations at the border, the government has a significant programme of work to complete by the end of the transition period on the future UK–EU relationship, including on continuity of UK–EU transport, reciprocal healthcare arrangements and fishing rights. The UK government is also seeking to negotiate trade deals with other areas of the world. We do not cover progress on this wider programme of work in this report.

3 Roll-on, roll-off (RORO) refers to the way that freight is loaded and unloaded – that is, it is usually driven on or off the ferry or train.

4 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 the same characteristics as a RORO port.

5 The total £1.41 billion for the border announced in 2020 comprises: a £50 million funding package to accelerate the growth of the UK's customs intermediary sector announced on 12 June 2020; a £705 million investment for GB-EU border announced on 12 July 2020 and a £650 million investment for Northern Ireland announced on 7 August 2020 (which includes support for peace, prosperity and reconciliation projects on the island of Ireland).

6 In March 2020 we published a report – *The Cost of EU Exit Preparations* – which found that departments spent at least £4.4 billion on EU Exit preparations between June 2016 and 31 January 2020.

9 As in our previous reports on the border, in this report we refer to BPDG's central reporting of the delivery risks relating to preparations for the end of the transition period and beyond. These ratings are included in its weekly reports to senior officials and Ministers. BPDG told us during the course of our fieldwork that it had changed its approach to reporting risk. BPDG told us that risk reporting in relation to individual departmental projects and programmes was owned by that department and reflected in BPDG reporting, having been discussed and challenged cross-departmentally where appropriate. Risk reporting in relation to cross-cutting areas, or areas where aggregated risk is reflected, such as overall systems risk or trader readiness, is undertaken by BPDG, in collaboration with departments. We have not been able to audit this change in reporting in the time available. In this report where we refer to BPDG's risk ratings, these ratings may also reflect departments' own ratings.

Key findings

Planning for the end of the transition period and beyond

10 In January 2020, the government instructed departments to prepare on the baseline assumption that there would be no further agreement with the EU. The ratification of the Withdrawal Agreement in October 2019 meant there were two possible scenarios in which the UK would leave the EU: on the basis of the Withdrawal Agreement and with an FTA, or on the basis of the Withdrawal Agreement alone. In January 2020, the government instructed departments to plan for no further agreement with the EU and therefore no FTA, and the UK would trade under World Trade Organization (WTO) rules.[7] However, departments were also told to plan to be able to implement an FTA on the basis of the UK government's negotiating objectives. In terms of border preparations there would be little difference between the two scenarios, with the UK leaving the single market and the customs union in both (paragraphs 1.3, 1.5 and Figure 3).

7 To comply with WTO rules the government needs to put in place the same controls over imports from the EU as it applies to the countries in the rest of the world with whom it does not have a free trade agreement, or alternatively any differences would need to be justified by one of the exceptions to the Most Favoured Nation rule as set out in the WTO treaties.

11 **The government's emergency response to COVID-19 delayed preparations that were already rated high-risk.** In March 2020, prior to the lockdown, BPDG reported that eight of the nine key elements of government and border industry readiness it was monitoring were at significant risk of not being delivered by 1 January 2021. Areas rated at the highest level of risk were IT systems, infrastructure, data, customs agents' capacity, and trader and haulier readiness. The emergency response to COVID-19 absorbed a lot of government resources but departments were able to largely protect their core teams working on priority transition programmes. However, the emergency response led to a pause in collective ministerial decision-making at the XO Committee until June 2020. The government also paused its communications to traders and industry, recognising the impact of COVID-19 on both the government's and businesses' preparations, restarting this in July 2020 (paragraphs 1.16, 1.17 and Figure 2).

12 **The government's decision to phase in import controls has given departments, traders and industry more time to prepare, but this approach also has risks.** On 12 June 2020 the government announced that it did not intend to extend the transition period with the EU beyond 31 December 2020 and that it intended to phase in the introduction of import controls in three stages between January and July 2021. This means that: full import controls will not be in place until July 2021; the systems, infrastructure and resources required will not need to be fully operational until 1 July 2021; and that the majority of traders will not need to make full import declarations until this date. This was in recognition of the impact of COVID-19 on both departments' and businesses' ability to prepare for the end of the transition period. Departments adjusted their delivery plans to reflect the phased approach to the implementation of controls. Although the approach gives traders and industry more time to prepare for UK import controls, it added some complexity to communications about what preparations were needed and when. The government accepts its decision to phase in import controls increases fiscal risk in the six-month period when full import controls will not be in place. The government is taking steps to mitigate this fiscal risk, for example by requiring high-risk traders to make import declarations from 1 January 2021 (paragraphs 1.9 to 1.11 and Figure 2).

Preparedness for 1 January 2021

The overall UK border operating model

13 **Departments have made progress towards implementing a minimum operating capability by 1 January 2021 but transit arrangements, which enable traders to move goods using a simplified process, will be challenging to deliver in their entirety.** Most of the systems, infrastructure and resources required to operate the border from 1 January are similar to those needed for government's previous no-deal requirements. These represent a minimum operating capability which the government will continue to develop over time. However, there are also some new elements where departments have sought to improve on their previous no-deal plans or have had to change previous plans in relation to implementing the Northern Ireland Protocol. Departments told us they have a reasonable degree of confidence in being able to deliver the minimum operating capability by 1 January 2021, although timetables are tight. The ability for traders to move goods under the Common Transit Convention (CTC), which allows traders to use simplified arrangements for moving goods across customs territories, is a key element of the government's plans for 1 January 2021. HMRC is unable to predict exactly how many traders will register to use transit facilities as businesses would make their own decisions as they balance the benefits of the relative ease of transporting goods with the investment required to use transit, for example in systems. HMRC currently estimates that there will be around 6.3 million movements of goods under transit arrangements in the year following the end of the transition period. Some elements of the government's plans in relation to transit will be challenging to deliver in their entirety before 1 January 2021. For example:

- Enabling the Goods Vehicle Movement Service (GVMS) to fulfil the requirements necessary to allow traders to move goods under transit requires changes from ports and carriers, as well as government, who have been given limited time to make changes. As at 21 October 2020, BPDG reported the rating of GVMS as amber in regard to transit but rated the readiness of the operator and port controls necessary to implement GVMS as red.
- As at 21 October 2020, HMRC had identified that seven inland sites would be needed to facilitate transit movements from 1 January 2021, in addition to those provided by ports.[8] As at 21 October 2020, BPDG reported the rating for the individual sites as either red, amber-red or amber. HMRC has assessed that it will be very challenging to put in place all new transit sites for 1 January.

8 In addition, HMRC was in negotiations with two existing sites to expand capacity to undertake transit checks.

BPDG's assessment is that it is confident there will be an operational transit system in place to meet the forecast demand for transit by 1 January 2021. However, it acknowledges hauliers may need to use alternative sites if all the planned arrangements are not ready. This could have an impact on the ease with which traders can import and export goods (paragraphs 1.6 to 1.7, 2.2 to 2.27 and Figure 5).

14 There is little time for ports and other third parties to integrate their systems and processes with new or changed government systems, and contingency plans may need to be invoked in some areas. Integrating the processes, IT systems, infrastructure and resources to operate together for the first time from 1 January 2021 is inherently complex and high-risk. In addition third parties, such as ports and community software providers, who need to develop new software which integrates with new or changed government systems, have been given very little time in which to prepare and are unlikely to be able to do so in time for 1 January 2021. In part as a result of the delays caused by COVID-19, there is limited time to: test individual elements and resolve any emerging issues; ensure elements operate together; familiarise users with them in advance; and little or no contingency time in the event of any delays. BPDG is working with departments to develop contingency plans and to agree dates by which these would need to be invoked. Contingency plans may not provide the full functionality of the original plans or may require manual processes and increased resources to operate and may bring increased risks (paragraphs 1.16, 2.19, 2.20 and 2.33 to 2.35).

15 There is likely to be significant disruption at the border from 1 January 2021 as many traders and third parties will not be ready for new EU controls. As a result of the government's decision to leave the EU customs union and the single market it is inevitable that there will be additional administration and checks required to manage the border. However, this friction will be exacerbated if traders and others are not prepared for the likelihood that the EU will apply full customs and regulatory controls from 1 January 2021. On 21 October 2020, BPDG assessed trader and passenger readiness as red. The government's latest reasonable worst-case planning assumptions, as of September 2020, are that 40% to 70% of laden lorries may not be ready for border controls. The government is providing targeted support to help the estimated 10,000 high-value GB traders who currently only trade with the EU and to raise awareness of the preparations needed (paragraphs 2.36 to 2.41, 2.46 and Figure 10).

16 **The government has not yet facilitated the required expansion of the customs intermediary market, which is vital for increasing trader readiness.** The government has recommended that traders use the services of a customs intermediary to help them prepare. However, the government's plans are dependent on the customs intermediary sector viewing the changes to border arrangements as a commercial opportunity, and increasing in size to meet demand at a sufficiently fast rate to be able to take on new business from the end of the transition period. In October 2018 we reported that the customs intermediary market might not be able to meet demand. Since 2018 the government has made available £84 million in support to the sector to cover training, recruitment and the development of IT systems, including £50 million which it announced in June 2020. From its engagement with the sector, the government considers that the majority of intermediaries are preparing to make additional declarations compared to current volumes at the end of the transition period, and most of those that are scaling up have taken some action to prepare to do this. However, it is also aware that there remain barriers to expansion such as a lack of information on future border processes and a lack of awareness of government support. To address this, the government has undertaken a range of actions to raise awareness of border requirements and the support available. On 8 October 2020, the government announced a change to the grant scheme in response to concerns that EU State Aid rules were preventing expansion of the market. As of 16 October 2020, £55 million of that £84 million had been claimed, of which £25 million had been paid out. As at 21 October 2020 BPDG continued to report customs intermediaries' capacity as a red-rated risk for both January and July 2021 (paragraphs 2.47 to 2.50).

17 **The government's plan for reducing the risk of disruption at the approach to the short Channel crossings is still developing, with various operational issues to be resolved.** The government is planning on the basis that, in a reasonable worst-case scenario, up to 7,000 lorries may need to queue at the approach to the short Channel crossings. It is developing new arrangements to try to minimise the length of queues. These depend on new technology and will require the engagement of traders and hauliers. The government plans to launch a new online service (called 'Check an HGV') for hauliers to check and self-certify that they have the correct documentation for EU import controls before travelling, and to subsequently obtain a permit to drive on prescribed roads in Kent. Those without a permit will face a fine of £300. This plan requires hauliers to have a much more detailed knowledge of the load they are carrying than has been the case previously. There is more to do to ensure 'Check an HGV' is integrated with wider traffic management and enforcement plans including determining the level of enforcement possible without disrupting the flow of traffic, where the enforcement and compliance checking will take place and the resources needed (paragraphs 2.42 to 2.44 and 2.52 to 2.58).

18 **Civil contingency plans to minimise disruption to the supply of critical goods and medicines are more difficult to enact given COVID-19.** The government is putting contingency plans in place on the basis of its reasonable worst-case scenario assumptions relating to disruption at the border after the end of the transition period. As was the case for no-deal, government is preparing to activate its civil contingency arrangements, which focus on mitigating the short-term, severe impacts of any disruption. This includes securing additional freight capacity outside of the short Channel crossings and working with pharmaceutical and medical equipment companies to try to ensure the continuity of the supply of medicines in the event of disruption to supply chains. However, the context in which these plans are being prepared has changed. The emergency response to COVID-19 has placed strain on local authorities, industry and supply chains' ability to plan and put in place contingency arrangements. Disruption at the border may be harder to manage if it also happens alongside further COVID-19 outbreaks and a background of economic uncertainty (paragraphs 2.54 and 2.59 to 2.62).

The Northern Ireland Protocol

19 **Departments face a significant challenge in implementing the Northern Ireland Protocol by 1 January 2021.** Implementing the Protocol is very high-risk due to: the scale of the changes required; the limited time available; the dependence on ongoing negotiations; and the complexity of the arrangements. Delivery risk is also heightened by the need to integrate and manage changes across multiple projects and stakeholders (paragraphs 3.2 to 3.9).

- HMRC is responsible for delivering most of the programmes required to operate the Protocol, including the Customs Declaration Service (CDS) and GVMS. Given the scale and complexity of the challenge, and the relatively short period of time which has elapsed since the Protocol was agreed, HMRC has made progress and now assesses that it can deliver most of the elements required, including the functionality for a dual tariff regime. However, it acknowledges that bringing all the elements together is still very high-risk, and there is little time for software providers to make the necessary changes or to resolve any issues which may emerge during testing. It is in the process of identifying alternatives if it cannot put its plans in place by 1 January 2021.

- Northern Ireland's Department of Agriculture, Environment and Rural Affairs (DAERA) is responsible for putting in place the systems, infrastructure and resources to undertake sanitary and phytosanitary (SPS) checks.[9] Its ability to take forward this work has been severely hampered by the ongoing negotiations and, in the case of infrastructure, the lack of clarity about the level of checking that will be required. Given the ongoing uncertainty and tight timeframe, DAERA considers that it will now not be possible to complete the necessary work on its systems and infrastructure in time for 1 January 2021 and is exploring contingency options.
- Some of the arrangements are dependent on the outcome of negotiations and whether an FTA is agreed, and the ongoing uncertainty has affected departments' and traders' ability to prepare. Developments related to the UK government's Internal Market Bill have further increased this uncertainty.

20 **The government has left itself little time to mobilise its new Trader Support Service (TSS) and there is still a high risk that traders will not be ready.** Due to Northern Ireland's unique position of being in the UK customs union but operating the Union Customs Code, the application of the Protocol will involve some changes for goods movements into Northern Ireland to ensure consistent regulatory standards across the island of Ireland.[10] The Protocol ensures there are no processes for goods movements on the island of Ireland (avoiding a hard border) and for goods movements from Northern Ireland to the EU. But in order to protect the single market from this open border there will be some additional processes for goods moving from GB to Northern Ireland. In August 2020, the government published guidance on moving goods into and from Northern Ireland. It also announced that it is investing £200 million to establish a free Trader Support Service (TSS) and £155 million to develop new technology to ensure the new processes with which traders must comply are fully digital and streamlined. As at 16 October 2020, HMRC had let a contract to a consortium led by Fujitsu to deliver TSS but it had not finalised all of the contract's details, including cost and duration. It will be challenging to establish TSS within the timeframe, including: activity to identify Northern Ireland traders and sign them up to use the service; recruit and train the staff required; develop software to enable traders to connect to HMRC's systems; and deliver educational activities to traders. There is also ongoing uncertainty about the requirements for the movement of goods under the Protocol (paragraphs 3.2 and 3.14 to 3.18).

9 SPS checks are checks on compliance with the basic WTO rules for animal and plant health standards and food safety.

10 The Union Customs Code (UCC) defines the legal framework for customs rules and procedures in the EU customs territory, adapted to modern trade models and communication tools.

Preparedness for July 2021 and beyond

21 **The government is planning to implement full import controls by July 2021 but there is uncertainty over where the infrastructure and resources will be located, and if they will be ready in time.** Additional system functionality, resources and infrastructure are needed to support full import controls from 1 July 2021, on top of what is planned for 1 January 2021. The government launched a £200 million fund for which ports can bid for grants to build some of the infrastructure required. It has also set a budget of £270 million to set up government-run sites, where ports do not plan to expand. There will remain some uncertainty as to the infrastructure government will need to provide until ports have made their bids to the fund, and funding has been awarded. As of 21 October 2020, BPDG assessed that there was a high risk that not all the infrastructure would be ready by 1 July 2021, rating the risk amber-red. Additional resources will also be required at ports and inland sites for the new compliance regime but there is some uncertainty as to the numbers required and location. As of 21 October 2020, BPDG also rated amber-red the risk that resources will not be ready in time. If infrastructure and resources are not ready this could extend the amount of time that the UK is at risk of not being compliant with WTO rules, unless covered by one of the exceptions, and could increase the likelihood of criminal behaviour such as smuggling and that the government fails to collect all the taxes due on transactions at the border (paragraphs 4.2 to 4.13).

22 **HMRC must make significant further changes to its customs systems to enable it to handle the projected increase in customs declarations.** Some of the systems which departments are putting in place will need further development over time. In particular, HMRC will need to undertake significant work to expand CDS to enable it to cope with the projected number of declarations. In May 2020, HMRC completed its original programme to develop CDS with a capacity of 60 million declarations annually. However, HMRC's requirements following the signing of the Withdrawal Agreement in October 2019 are for a customs platform that can support the implementation of the Northern Ireland Protocol and handle 270 million customs declarations a year from 2021, rising further beyond this date. In April 2020, HMRC commissioned an independent review of the work needed to expand CDS, which concluded that substantial re-engineering would be required. HMRC has known since it began its no-deal preparations in 2017 that CDS might need to handle a very significant increase in customs declarations. HMRC now plans to run its Customs Handling of Import and Export Freight (CHIEF) system alongside CDS until CDS is scaled to the required level. It has signed a contract with Fujitsu to support CHIEF for up to five years at a cost of £85 million in total (paragraphs 2.5 to 2.7 and Figure 5).

Concluding remarks

23 While the UK has now left the EU, preparations to manage the border at the end of the transition period remain very challenging and have continued to be significantly affected by the ongoing negotiations and wider political context, and by the impact of COVID-19 on both the government's and businesses' ability to prepare. The end of the transition period is unlike any previous EU Exit deadline in that, regardless of the outcome of negotiations on the future relationship between the EU and the UK, things will change. The government is planning for significant change at the border from 1 January 2021. Departments have built on their no-deal planning and, although hampered by the challenges of the COVID-19 pandemic, have made progress in recent months implementing the changes required to systems, infrastructure and resources. However, significant risk remains, in particular in relation to the arrangements required to implement the Northern Ireland Protocol. The government must continue to focus its efforts on resolving the many outstanding practicalities relating to both the Great Britain and Northern Ireland operating models and developing robust contingency arrangements if these cannot be resolved in time.

24 It is very unlikely that all traders, industry and third parties will be ready for the end of the transition period, particularly if the EU implements its stated intention of introducing full controls at its border from 1 January 2021. The government recognises that there will be disruption and is putting in place arrangements to monitor issues as they emerge. It will need to respond quickly to try to minimise their impact. It also needs to be alert to any increased risks of smuggling or other criminal behaviour which exploits gaps or inconsistencies in border operations. There is a risk that widespread disruption could ensue at a time when government and businesses continue to deal with the effects of COVID-19.

25 The increasing time pressure and risks mean that the government is committing a lot of money to progress preparations in areas, such as port infrastructure and customs intermediaries, which would traditionally be provided by the private sector. The unique situation in which departments are operating makes some element of additional spending inevitable, and it is right that the government does what is appropriate to mitigate the risks. However, despite the funding being committed by government, there remains significant uncertainty about whether preparations will be complete in time, and the impact if they are not. Some of this uncertainty could have been avoided, and better preparations made, had the government addressed sooner issues such as expanding the customs intermediary market, developing a solution for roll-on, roll-off (RORO) traffic, upscaling customs systems and determining the requirements for infrastructure to enforce a new compliance regime.

Part One

Introduction

Background

1.1 On 17 October 2019 the UK and the EU concluded the Withdrawal Agreement, establishing the terms of the UK leaving the EU. This was put into UK law by the Withdrawal Agreement Act in the UK Parliament on 23 January 2020. On 31 January 2020 the UK left the EU, no longer participating in the EU's decision making, and entered a transition period. During this period, existing rules on trade, travel and business between the UK and the EU continue to apply. The transition period is due to end on 31 December 2020, at which point the UK will cease to be part of the EU single market and customs union.

1.2 The government is seeking to achieve two objectives during the transition period: to implement the Withdrawal Agreement, including the Northern Ireland Protocol (the Protocol); and to agree its future relationship with the EU, including establishing a free trade agreement (FTA). In February 2020 the Prime Minister stated that he was seeking to negotiate a Comprehensive Free Trade Agreement (CFTA) with the EU, similar to agreements the EU has negotiated recently with Canada and other countries. The deal agreed between Canada and the EU – the Comprehensive Economic and Trade Agreement (CETA) – abolishes customs duties on 98% of imported goods and increases import quotas. However, it does not eliminate requirements for controls and checks at the border.

1.3 The UK government and the EU aim to reach agreement on their future relationship by October 2020. If reaching an FTA is not possible, the government has stated that its trading relationship with the EU will look similar to Australia's relationship with the EU. Australia does not have a comprehensive trade agreement with the EU. Their trading relationship has been operating under a partnership framework, which aims to facilitate trade in industry products by reducing technical barriers. Nevertheless, much of EU–Australia trade is conducted under World Trade Organization (WTO) terms which include the application of tariffs and non-tariffs barriers to trade. To comply with WTO rules the government needs to put in place the same controls over imports from the EU as it applies to the countries in the rest of the world with whom it does not have a free trade agreement, or alternatively any differences would need to be justified by one of the exceptions to the Most Favoured Nation (MFN) rule as set out in the WTO treaties.[11,12]

1.4 In February 2020 the government confirmed that, regardless of the outcome of the UK-EU negotiations, at the end of the transition period both the UK and EU will introduce controls on imports from each other.[13] This means that from 1 January 2021, there will be changes in how the UK trades with the EU and the customs, safety and regulatory checks required at the UK-EU border. The EU will also begin treating the UK as a third-country and apply customs and regulatory compliance checks on goods moving from the UK into the EU. **Figure 1** shows a high-level depiction of the border and flows across it, while **Figure 2** on pages 20 and 21 sets out significant developments and planned future events between the date when the UK and the EU signed the Withdrawal Agreement and 1 July 2021, the date when full import controls on EU goods arriving in the UK are due to come into effect.

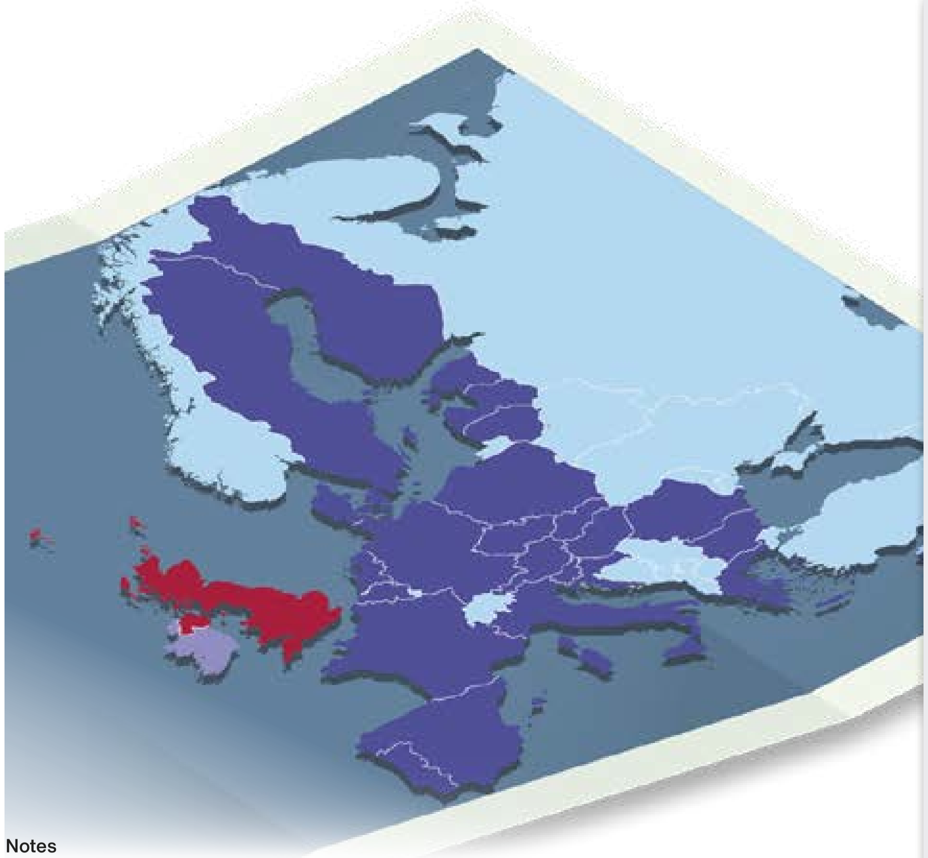
11 The principles of trading under World Trade Organization rules can be found at: www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm

12 The principle of Most Favoured Nation requires non-discrimination between trading partners and the consistent application of customs checks, tariffs and non-tariff barriers to trade.

13 GOV.UK, Government confirms plans to introduce import controls, February 2020. Available at: www.gov.uk/government/news/government-confirms-plans-to-introduce-import-controls

Figure 1
Goods and passengers crossing the UK border

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 – Northern Ireland

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

European Union – UK

197 million tonnes of freight;
18 million passengers.

0.5 million tonnes of freight;
171 million passengers.

22 million tonnes of freight;
22 million passengers.

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

Rest of World – UK

186 million tonnes of freight;
2 million passengers.

2 million tonnes of freight;
85 million passengers.

Notes

1 All data points are 2019 figures, except for rest of world sea passengers and EU train passengers and freight data, which are 2018.

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 2019, Tables 10_1 and 14, and include both inbound and outbound flights.

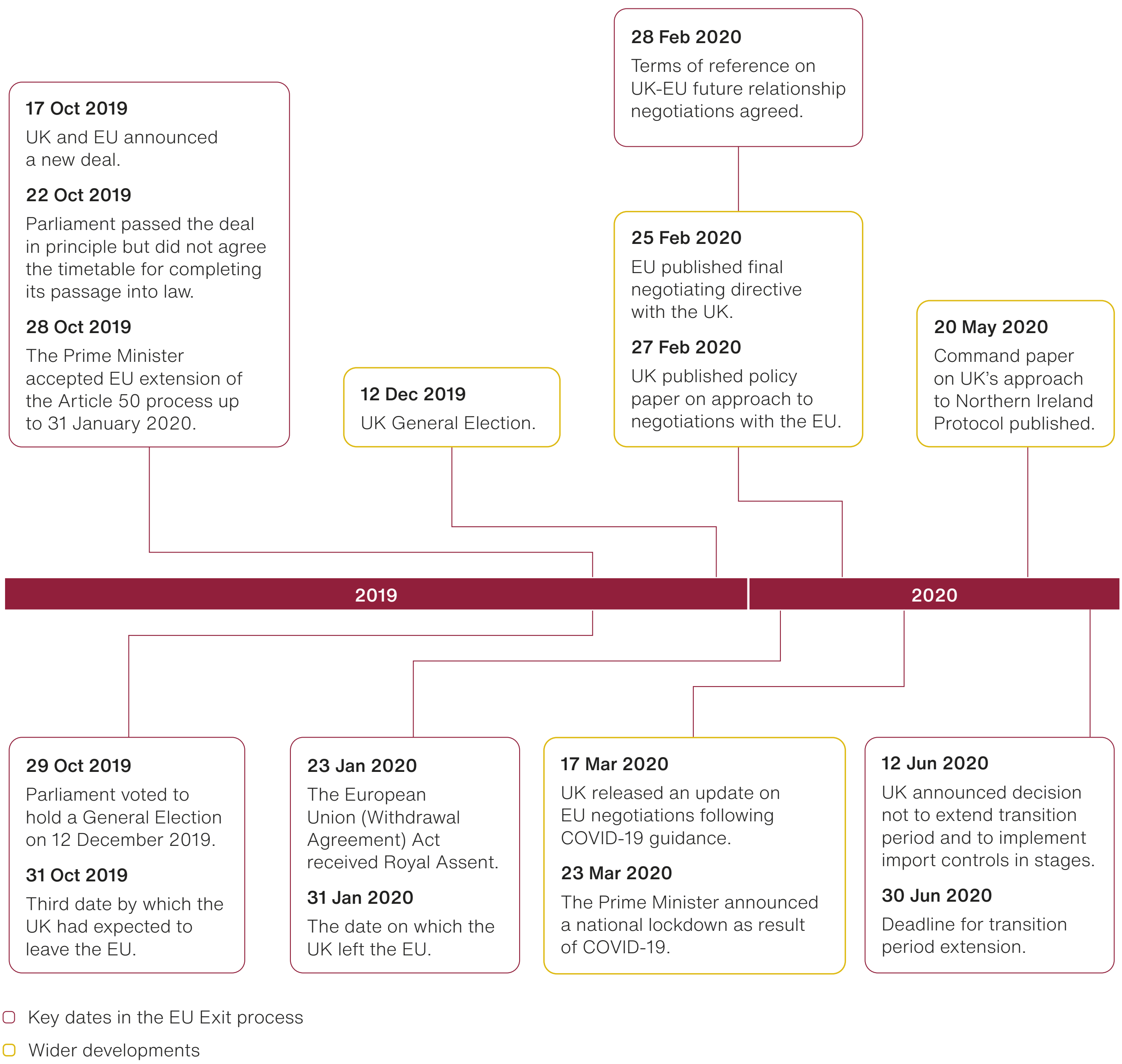
5 Individual figures may not agree to totals due to rounding.

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

Figure 2

Timeline showing all significant developments and planned future events in the EU Exit process between October 2019 and July 2021

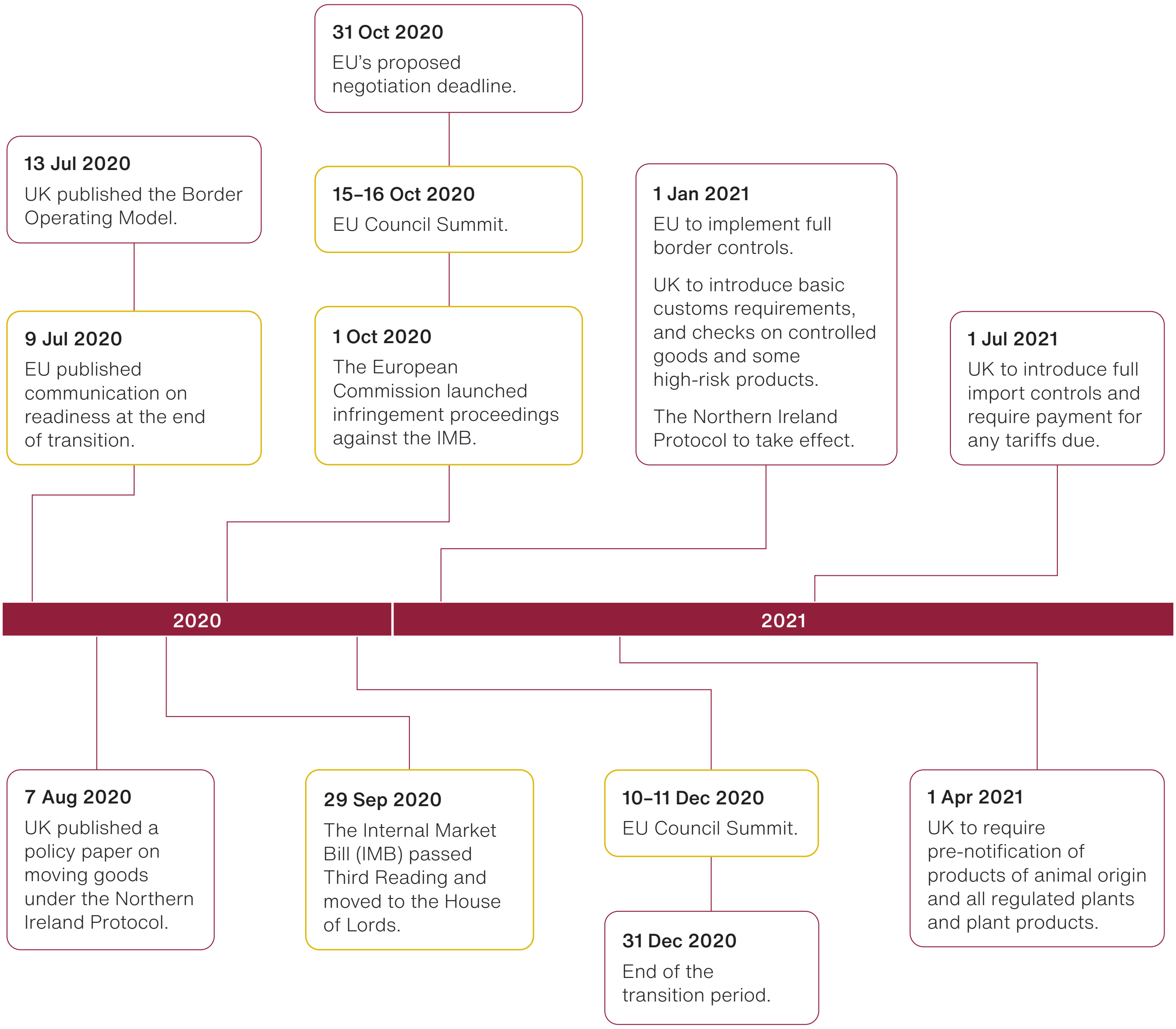
The government paused its communications regarding the border following the COVID-19 lockdown, re-starting in June



Note

1 Information presented as at 30 October 2020.

Source: National Audit Office


9 Jul 2020
EU published communication on readiness at the end of transition.
13 Jul 2020
UK published the Border Operating Model.
7 Aug 2020
UK published a policy paper on moving goods under the Northern Ireland Protocol.
29 Sep 2020
The Internal Market Bill (IMB) passed Third Reading and moved to the House of Lords.
1 Oct 2020
The European Commission launched infringement proceedings against the IMB.
15–16 Oct 2020
EU Council Summit.
31 Oct 2020
EU's proposed negotiation deadline.
10–11 Dec 2020
EU Council Summit.
31 Dec 2020
End of the transition period.
2020
2021
1 Jan 2021
EU to implement full border controls.
UK to introduce basic customs requirements, and checks on controlled goods and some high-risk products.
The Northern Ireland Protocol to take effect.
1 Apr 2021
UK to require pre-notification of products of animal origin and all regulated plants and plant products.
1 Jul 2021
UK to introduce full import controls and require payment for any tariffs due.

Arrangements to be implemented for the end of the transition period

1.5 In January 2020, the government instructed departments that they must be ready for a scenario in which there would be no further agreement with the EU and that preparing for the end of the transition period on the basis of the Withdrawal Agreement alone should be the baseline for their plans. However, departments were also told to plan to be able to implement an FTA on the basis of the UK government's negotiating objectives. There would be little difference between the two scenarios for border preparations, with the UK leaving the single market and the customs union in both. In terms of border preparations this means the UK would seek to minimise or eliminate tariff and non-tariff barriers to trade in goods but would still retain the systems and capacity to implement them. As a result, departments' planning assumptions for the end of the transition period have many similarities to the previous no-deal planning assumptions. However, unlike for its previous no-deal preparations, the passing of the Withdrawal Agreement and the Protocol in October 2019 created new obligations which will apply after the end of the transition period, even if no further agreement is reached. **Figure 3** sets out how border operations would be affected in different scenarios.

1.6 In its preparations for a possible no-deal exit the government focused on putting in place a 'minimum operating capability' for the border and decided to initially: prioritise security and safety; flow of people and goods; and then compliance activity, including the collection of revenue. We have previously reported that the government had accepted that this model came with risks and that the border would be "less than optimal" for a period of time.[14] Establishing this minimum operating capability includes:

- introducing new systems to replace those which the UK previously had access to through the EU in order to monitor the imports of goods coming in from the Rest of the World (for example, the systems that the Department for Environment, Food & Rural Affairs and the Food Standards Agency need to monitor imports of animals, animal products, and high-risk food and feed);
- providing the minimum capability to enable the UK to demonstrate it is seeking to comply with WTO rules by operating equivalent controls on imports and exports to the EU as operate for trade with the rest of the world (for example, by expanding the capacity of HM Revenue & Customs' (HMRC's) Customs Handling of Import and Export Freight (CHIEF) system to cope with the predicted increase in customs declarations); and
- developing new arrangements to allow traders to use the Common Transit Convention (CTC) to move goods into and across customs territories without completing fiscal declarations and paying duty.[15]

14 Comptroller and Auditor General, *The UK border: preparedness for EU Exit update*, Session 2019-20, HC 98, National Audit Office, October 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/10/The-UK-border-preparedness-for-EU-exit-October-2019.pdf

15 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.

Figure 3
Border scenarios for the end of the transition period

Departments planned for the end of the transition period on the basis of two possible scenarios

Scenario	Implications for Great Britain (GB)-European Union (EU) trade	Implications for GB-Northern Ireland (NI) trade	Implications for NI-EU/Ireland trade
Scenario one Implementation of the Withdrawal Agreement (WA) and Northern Ireland Protocol (NIP) **and** a further negotiated free trade agreement (FTA) between the UK and the EU.	**Border controls:** Full border controls (customs declarations and safety and security declarations) set out in government's Border Operating Model are required. However, negotiated FTA could include measures to facilitate flow and expedite movement of goods. **Tariffs:** UK system needed to apply the reduced or zero tariffs negotiated in FTA.	**Border controls:** NIP procedures apply. Customs controls are required on GB-NI trade and some additional administrative measures for NI-GB traders, the scale of which will depend on the outcome of Joint Committee discussions. **Tariffs:** Imports from GB to NI at risk of moving into EU/Ireland will pay EU tariffs agreed in negotiated FTA. Imports from GB that are not at risk will not pay tariffs. Goods that are not at risk agreed by Joint Committee. IT systems will need to be able to apply dual tariffs to a product, depending on final destination.	**Border controls:** No border controls required. NI follows Union Customs Code (UCC). **Tariffs:** No systems needed to collect tariffs for NI trade with EU as NI is in the EU internal market.
Scenario two Implementation of Withdrawal Agreement and Northern Ireland Protocol **and** no further agreement between the UK and the EU.	**Border controls**: Full border controls (customs declarations and safety and security declarations) set out in government's Border Operating Model are required. **Tariffs:** UK system needed to apply UK tariffs.	**Border controls:** NIP procedures apply. Customs controls are required on GB-NI trade and some additional administrative measures for NI-GB traders, the scale of which will depend on the outcome of Joint Committee discussions. **Tariffs:** Imports from GB to NI at risk of moving into EU/Ireland will pay EU tariffs agreed in its World Trade Organization Rest of World schedule. Imports from GB that are not at risk will not pay tariffs. Goods that are not at risk agreed by Joint Committee. IT systems will need to be able to apply dual tariffs to a product, depending on final destination.	**Border controls:** No border controls required. NI follows UCC. **Tariffs:** No systems needed to collect tariffs for NI trade with EU as NI is in the EU internal market.

Notes

1 These scenarios are the basis for departments' plans. There may also be a potential third scenario in which the Withdrawal Agreement is amended or no longer applicable.

2 The implications of not reaching a free trade agreement are more significant in relation to some other aspects of trade between the UK and the EU than in relation to the management of the border. For example, without a free trade agreement highly regulated industries, such as those concerned with medicines and chemicals, will need to engage with two separate processes for testing and certifying their products.

Source: National Audit Office

1.7 Many of the preparations that departments are planning to put in place for the end of the transition period build on their previous no-deal plans, but some include new or improved elements. However, there are two further elements for which departments have since undertaken significant preparations – implementing the Northern Ireland Protocol, which was agreed in October 2019, from 1 January 2021 and introducing a full import control regime for goods moving from the EU to the UK.

The Northern Ireland Protocol

1.8 The Northern Ireland Protocol (the Protocol) sets out the basis on which trade will be conducted in and out of Northern Ireland, recognising the specific circumstances in Ireland and Northern Ireland in the context of the Belfast (Good Friday) Agreement.[16] The Protocol aims to avoid a hard border on the island of Ireland. The government committed in the Withdrawal Agreement to implementing the Protocol by 1 January 2021. The implementation of the Protocol is covered in Part Three.

The introduction of import controls

1.9 In February 2020 the government announced that it intends to introduce import controls on goods moving from the EU to Great Britain (GB), similar to the UK's current treatment of Rest of World (RoW) goods.[17,18] The government originally intended to introduce import controls on EU goods coming into the UK from 1 January 2021. However, on 12 June 2020, in recognition of the impact of COVID-19 on businesses' ability to prepare for new border arrangements for the end of transition, and on government's ability to proceed with its plans, the government announced that it would introduce import controls in three stages up until July 2021 for trade between GB and the EU.[19] At the same time it announced that it had ruled out extending the transition period beyond 31 December 2020. The three phases are:

- **From January 2021:** Traders importing standard goods will need to prepare for basic customs requirements, in particular by keeping records of imported goods, and will have up to six months to complete customs declarations. Payment of any tariffs due can be deferred until the customs declaration has been made. There will be checks on controlled goods such as alcohol and tobacco and there will also be physical checks at the point of destination or other approved premises on all high-risk live animals and plants. Traders will need to make export declarations and UK Safety and Security declarations for goods leaving the UK.

16 GOV.UK, *New Protocol on Ireland/Northern Ireland and Political Declaration*, October 2019. Available at: www.gov.uk/government/publications/new-protocol-on-irelandnorthern-ireland-and-political-declaration
17 RoW refers to goods traded with non-EU countries that are subject to import and export controls.
18 GOV.UK, *Government confirms plans to introduce import controls*, February 2020. Available at: www.gov.uk/government/news/government-confirms-plans-to-introduce-import-controls
19 GOV.UK, *Government accelerates border planning for the end of the Transition Period*, July 2020. Available at: www.gov.uk/government/news/government-accelerates-border-planning-for-the-end-of-the-transition-period

- **From April 2021:** All products of animal origin and all regulated plants and plant products will require pre-notification and the relevant health documentation.[20]

- **From July 2021:** Traders moving all goods will have to make declarations at the point of importation and pay relevant tariffs. Full Safety and Security declarations will be required for all imports and there will be an increase in physical checks and the taking of samples in relation to animals, plants and their products: checks for animals, plants and their products will take place at GB Border Control Posts.

1.10 The government's decision to phase in import controls has given departments, traders and industry more time to prepare and was well-received by traders and others in the border industry. For example, industry bodies such as the Road Haulage Association and the UK Warehousing Association called the decision "pragmatic" but also highlighted that it only partially solved their issues, as the EU would still introduce import controls. The government's decision also provided more clarity for departments whose planning had been affected by COVID-19, by allowing more time for planning and implementing import controls. Departments adjusted their delivery plans for border programmes to reflect the government's decision, prioritising what needed to be in place for 1 January 2021.

1.11 However, the three-staged approach has also introduced some risks and complexity to preparations. The phasing in of full import controls for goods entering GB from the EU would mean that during the period between January and July the UK would temporarily be treating imports from the EU in a different way to imports from the rest of the world. This could potentially leave the UK vulnerable to challenge from fellow WTO members who felt the exceptions to MFN rules did not apply to the UK's circumstances during the phasing-in period of full import controls.[21] The decision has also added more complexity to preparations, as border controls and checks will be introduced at different times depending on what type of goods are being imported. This makes it more difficult for departments to clearly communicate to border users what they need to do and when. In addition, as the government is prioritising the flow of traffic over compliance activity in the period between January and July, there is also an increased risk of fiscal non-compliance in this period, as most traders will not be required to submit customs declarations to HMRC until July 2021. HMRC has told us that, to reduce this risk, it intends to request that the highest-risk traders complete customs declarations from 1 January 2021.[22]

20 An import pre-notification refers to the means by which importers provide advance notice to relevant regulatory bodies of a consignment's arrival into GB.

21 The WTO has a dispute settlement process. A dispute arises when one country adopts a trade policy measure or takes some action that one or more fellow-WTO members considers to be breaking the WTO agreements, or to be a failure to live up to obligations. See www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm

22 HMRC is identifying traders who represent a higher risk of non-compliance due to their compliance history.

1.12 Under full import controls, traders and hauliers moving goods from the EU to the UK will be required to submit more information than was required when the UK was part of the EU, as is the case currently for goods which are imported into the UK from the RoW. As set out in **Figure 4** on pages 28 and 29, this will include information on the commodity code, customs value and origin of the goods. Introducing full import controls will also require departments and the border industry to have the systems, infrastructure and resources in place to be able to receive, process and analyse the new information to inform an effective compliance regime. We have summarised the preparations into five key areas in **Figure 5** on pages 30 to 32. These are not intended to present a comprehensive view of all preparations required but to set out an overview of the most significant areas of change, including how these relate to departments' previous no-deal plans.

How government has organised itself to prepare for the end of the transition period

1.13 There have been some changes in the way that the government has organised itself to prepare for the end of the transition period and in relation to the management of the border. The Department for Exiting the European Union (DExEU) closed on 31 January 2020 and the Cabinet Office established a Transition Task Force (TTF) that took over DExEU functions of oversight and reporting. The TTF oversees departments' preparations for the end of the transition period and seeks to resolve strategic issues through the two relevant Cabinet Office committees, EU Exit Operations (XO) and EU Exit Strategy (XS).

1.14 In June 2020, the Border Delivery Group (BDG), which is responsible for overseeing departments' plans for the UK border, moved from HMRC to the Cabinet Office and changed its name to the Border and Protocol Delivery Group (BPDG). The name change reflected the expansion in BPDG's responsibilities to co-ordinate work on the implementation of the Protocol, in addition to the overall operating model for the border. BPDG's main objective is to ensure that the border operates effectively through the end of the transition period and beyond. In addition, BPDG also aims to ensure that the government meets its ambition to have the most effective border in the world by 2025. This includes developing and publishing a border strategy for 2025 and developing a target operating model for 2025 to support the strategy.

The impact of COVID-19 on preparations

1.15 As in our previous reports on the border, in this report we refer to BPDG's central reporting of the delivery risks relating to preparations for the end of the transition period and beyond. These ratings are included in its weekly reports to senior officials and Ministers. BPDG told us during the course of our fieldwork that it had changed its approach to reporting risk. BPDG told us that risk reporting in relation to individual departmental projects and programmes was owned by that department and reflected in BPDG reporting, having been discussed and challenged cross-departmentally where appropriate. Risk reporting in relation to cross-cutting areas, or areas where aggregated risk is reflected, such as overall systems risk or trader readiness, is undertaken by BPDG, in collaboration with departments. We have not been able to audit this change in reporting in the time available. In this report where we refer to BPDG's risk ratings, these ratings may also reflect departments' own ratings.

1.16 COVID-19 has had an impact on government and third-party preparations for the end of the transition period. For example:

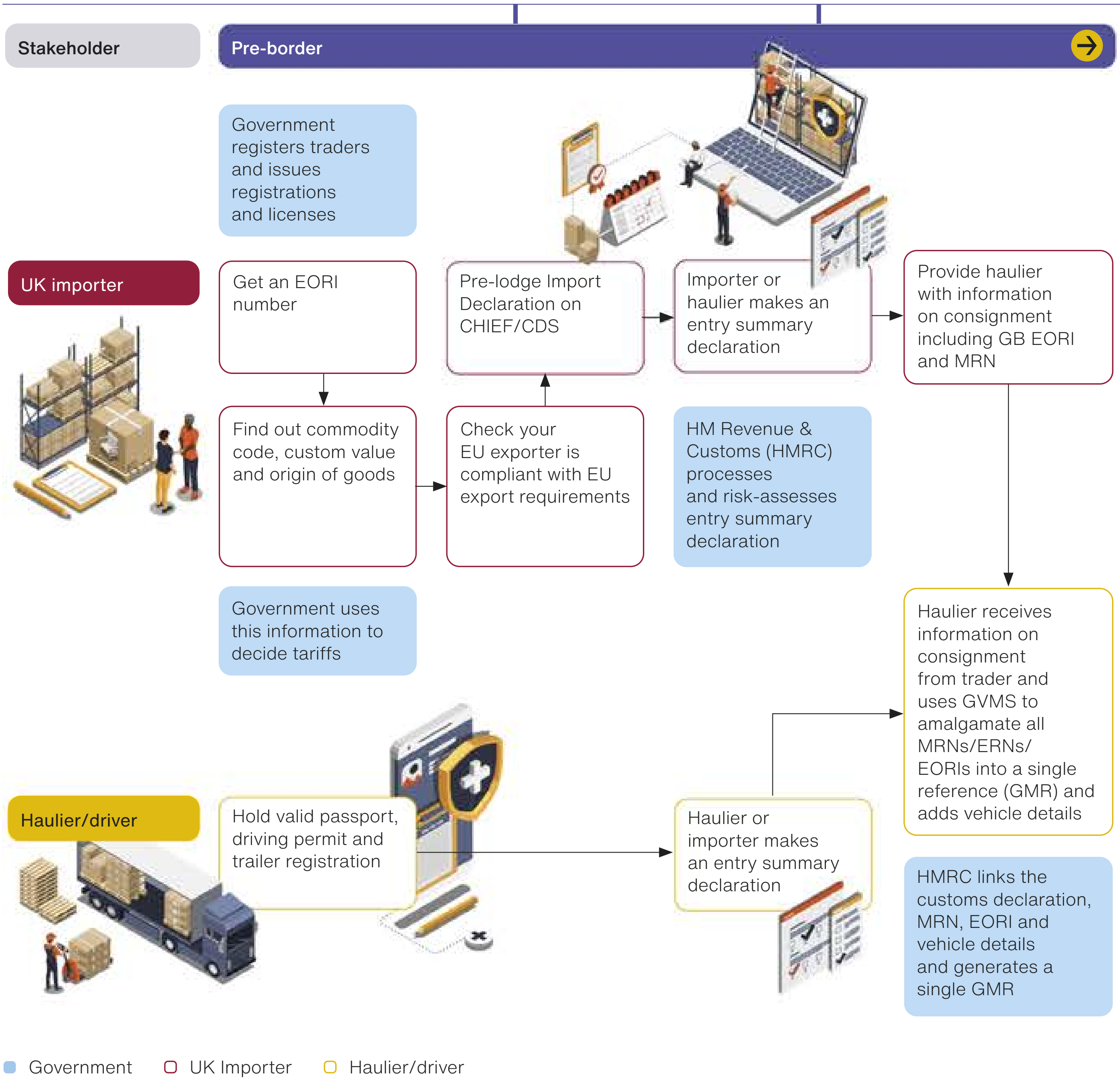
- it was harder for departments to engage with traders and the border industry from March to June as businesses were also dealing with the immediate impacts on their staff and sectors;
- some senior management attention and resources in departments were diverted to dealing with the COVID-19 response. For example, while departments largely protected their staff working on priority EU Exit programmes, the TTF, which is responsible for overseeing preparations, redeployed some of its staff to COVID-19 response work, including two-thirds of its senior staff;
- key decisions needed for border preparedness at the end of transition, such as where to locate infrastructure and how to support the expansion of the customs intermediary market, were delayed as ministers' attention was focused primarily on the response to COVID-19; and
- while the delivery of new systems has not been affected, timetables for user end-to-end testing of these systems have been delayed.

1.17 In March 2020, immediately prior to the lockdown, BPDG reported to its leadership group that eight of the nine key elements of government and border industry readiness it was monitoring were at significant risk of not being delivered by 1 January 2021.[23] These were the border operating model, IT systems, infrastructure, people, data, border industry readiness, customs agents' capacity, and trader and haulier readiness.[24] COVID-19 therefore added further to the challenges already faced by departments and the border industry in preparing for the end of the transition period and contributed to the government's decision to adopt a phased approach to the introduction of import controls (see paragraph 1.9).

23 BPDG submits weekly reports for discussion at the Border and Protocol Leadership Group, chaired by the director general of BPDG and comprising senior officials from government departments involved in border operations.
24 All of the areas listed above were rated either red or amber-red. Operational testing was rated amber-green.

Figure 4
An illustrative example of the requirements on UK importers and on hauliers importing goods into the UK after the introduction of import controls

Importing from the EU to the UK through roll-on, roll-off (RORO) ports and Eurotunnel after the introduction of import controls



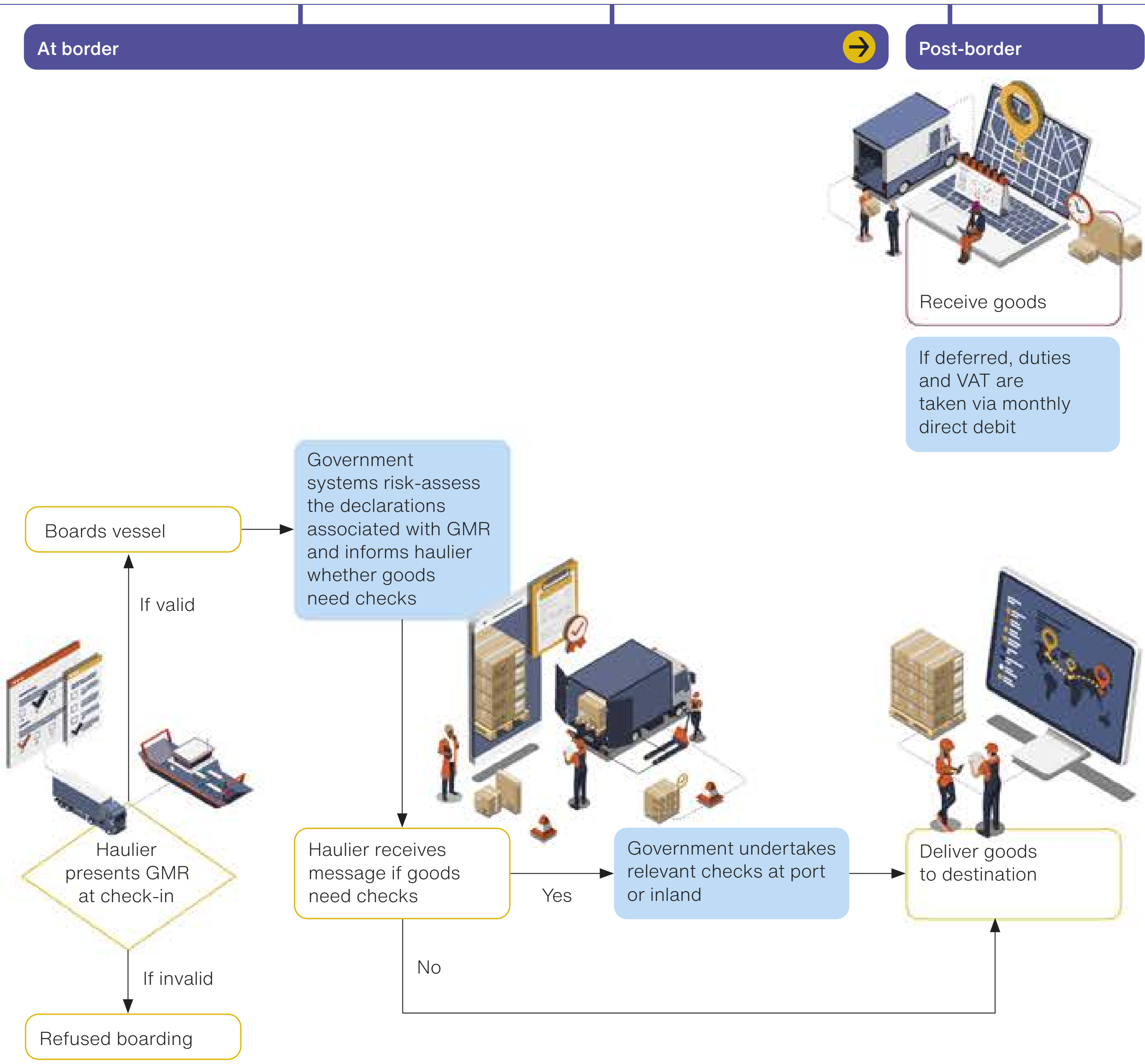
Notes

1 EORI – Economic Operator Registration and Identification; CHIEF – Customs Handling of Import and Export Freight; CDS – Customs Declaration Service; GVMS – Goods Vehicle Movement Service; MRN – Master Reference Number; GMR – Goods Movement Reference; and ERN – Export Reference Number.

Source: National Audit Office analysis of the Border Operating Model and departmental documents

The illustrative example makes a number of assumptions:

1. The UK trader is importing non-controlled goods and is not declaring goods for excise duty suspension;
2. The UK trader has a customs intermediary handling customs declarations on their behalf; and
3. The goods are imported via a port that does not have the necessary infrastructure for goods to be stored before being declared to customs (i.e. uses the pre-lodgement model).



2 Roll-on, roll-off (RORO) refers to the way that freight is loaded and unloaded – that is, it is usually driven on or off the ferry or train.

3 Eurotunnel has told us that it is a land-based transport system and is not, technically, a port. However, it shares many of the same characteristics as a RORO port.

Figure 5

An overview of key elements of preparations required at the border for the end of the transition period

There are five key elements to the departments' preparations for the end of the transition period

	Background	Work to prepare for previous no-deal scenario	Work required to prepare for the end of the transition period
Making customs declarations	Importers who wish to bring goods into the UK from the EU will need to use HM Revenue & Customs' (HMRC's) IT systems. This is to: • complete declarations; • provide information on the status of goods; and • pay any duty owed. There are two customs systems to do this: the Customs Handling of Import and Export Freight (CHIEF) system, and the newer Customs Declaration Service (CDS), which was designed to replace CHIEF. In January 2019 HMRC made the decision to use CHIEF as the primary customs system for EU trade in the event of no-deal rather than CDS.	In October 2019 we reported that HMRC had successfully tested CHIEF's ability to handle up to 300 million declarations each year and that HMRC was confident that it could deliver the functional changes required to CHIEF in advance of a potential no-deal exit on 31 October 2019.	HMRC had planned to turn off CHIEF by March 2021, after migrating all UK traders from CHIEF to CDS. However, HMRC is now expecting to have to continue to run CHIEF as part of a dual approach in which traders would use CHIEF for customs declarations relating to imports to Great Britain (GB) and CDS for those relating to Northern Ireland until CDS has been scaled to be able to handle increased volumes of customs declarations. HMRC is undertaking a programme of work to ensure that CHIEF can be sustained and dual-run alongside CDS and provide additional functionality to allow CHIEF to support HMRC's plans in regard to roll-on, roll-off (RORO) ports. HMRC also needs to put in place the infrastructure and resources to undertake compliance checks on declarations.
Making safety and security declarations	The UK follows the World Customs Organization's SAFE framework, which requires pre-arrival information and risking of all consignments entering or exiting a territory. This is done through safety and security (S&S) declarations. HMRC analyses data collected by S&S declarations and identifies high-risk goods that should be checked by Border Force officials when they present at the border.	In February 2019 government announced it intended to temporarily waive the new requirement for imports from the EU to the UK to have an accompanying S&S declaration. This meant the government did not immediately require the capability to collect S&S declarations.	From July 2021 imports to GB from the EU will need to be accompanied by a S&S declaration. HMRC predicts the number of declarations a year will increase from 7.2 million currently to 92 million per year. The UK's existing Import Control System (ICS) (currently used for trading with the rest of the world) can only handle approximately 8 million S&S declarations per year and therefore new systems are required. HMRC plans to deliver three new systems to collect S&S declarations: one to be used in Northern Ireland; one for imports to GB from the EU; and one to facilitate collaboration with EU member states for risk analysis of S&S declarations.

Figure 5 *continued*

An overview of key elements of preparations required at the border for the end of the transition period

	Background	Work to prepare for previous no-deal scenario	Work required to prepare for the end of the transition period
Matching declarations to the movement of goods	Many EU goods enter the UK through roll-on, roll-off ports. With limited exceptions, traders and hauliers bringing in goods through RORO ports are not currently required to make declarations about goods in advance of travel and these goods are not checked as they enter the port.	In October 2018 we reported that HMRC needed to design a system that would enable customs declarations to be made while allowing ports and Eurotunnel to operate smoothly but that it had not determined how this would happen. In February 2019 government introduced temporary easements to maintain the flow of traffic at the border. These easements meant that government did not immediately require the capability to match goods crossing the border with the relevant declarations.	Government has stated that all RORO traffic between the UK and EU will be subject to standard customs controls after July 2021. Government has developed a new Goods Vehicle Movement Service (GVMS) system, which will link information on declarations with the vehicle that is transporting them. It will be down to individual ports to decide whether to implement GVMS. EU countries have created similar systems to facilitate the flow of RORO traffic into the EU from the UK.
Moving goods under the Common Transit Convention (CTC)	Moving goods under the CTC allows traders to reduce the number of declarations they are required to make when moving goods across borders within a customs territory, and to suspend the payment of duties until goods reach their final destination.	Government anticipated a significant increase in the number of traders wishing to transport goods using the CTC in any situation where the UK was no longer part of a customs union with the EU. In its preparations for a no-deal exit HMRC estimated that there would be around 10 million transit movements around the UK in the year following this, rising to 14.5 million in 2021. HMRC increased the capacity of the New Computerised Transit System (NCTS) to handle the additional volume of declarations and secured sites to put in place temporary Offices of Departure and Destination where hauliers could make the necessary declarations.	Traders will be able to move goods into the UK customs territory under the CTC from 1 January 2021. HMRC estimates that there will be around 6.3 million transit movements in the first year after the end of the transition period, rising to 9.8 million in the second year. HMRC needs to make further preparations for the end of the transition period beyond those previously required for no-deal. These include: • providing new Offices of Destination and Departure; and • delivering the new GVMS system. Border Force also needs to recruit, train and deploy staff to undertake checks on transit documentation.

Figure 5 *continued*

An overview of key elements of preparations required at the border for the end of the transition period

	Background	Work to prepare for previous no-deal scenario	Work required to prepare for the end of the transition period
Moving animals, plants and their related products	Importers of animals and plants, and their related products, from the EU will have to comply with new controls, known as sanitary and phytosanitary (SPS) controls.[1] These controls already apply to trade from the rest of the world and include providing advance notification of the goods' arrival; obtaining accompanying certification and being subject to documentary, identity and physical checks. Currently, traders from outside the EU who import animals, animal-related products and high-risk food and feed into the EU use the EU's Trade Control and Expert System (TRACES) to notify the relevant authorities, including the Department for Environment, Food & Rural Affairs (Defra) in the UK. GB will no longer have access to this EU system at the end of transition. To export live animals or animal products an Export Health Certificate (EHC) is needed to confirm it meets the requirements of the destination country.	Defra was responsible for developing the replacement system for TRACES, called Import of Products, Animals Food and Feed System (IPAFFS) and providing the capability to enable traders to submit EHCs. In advance of a potential no-deal exit, Defra prioritised developing the functionality required to manage imports from outside the EU. In October 2019 we reported that Defra had made progress implementing IPAFFS and was confident that IPAFFS would have provided a reliable 'day one' solution had this been required for 31 October 2019. In October 2019 we reported that for EHCs Defra had reverted to an upgraded contingency solution because the digital system it has been working on would not have been ready in time.	IPAFFS needs to handle pre-notifications of EU imports in addition to those from the rest of the world. IPAFFS also needs to be able to receive notifications relating to plants, plant-products and high-risk foods as well as animals and animal products. Defra needs to put in place the infrastructure and staff to undertake checks on imports. Defra estimates that there may be a fivefold increase in EHCs. Defra is developing a digital system to enable traders to submit Export Health Certificates electronically, called Export Health Certificates Online (EHCO). There also need to be enough authorised signatories for these certificates.

Notes

1 The goods which are subject to sanitary and phytosanitary controls are animal products, fish, shellfish and their products, live animals and plants and plant products.

2 The first two columns of the table summarise the background to departments' preparations and the work they undertook in advance of the various 'no-deal' deadlines that have been covered more extensively in our previous reports (see paragraph 5).

Source: National Audit Office

Part Two

Progress with implementing the arrangements to manage the border from 1 January 2021

2.1 This part relates to the government's overall operating model for the border for Great Britain (GB) from 1 January 2021. The specific arrangements and challenges relating to the implementation of the Northern Ireland Protocol (the Protocol) are covered in Part Three. This part covers:

- progress with implementing the required changes to systems, infrastructure and resources;
- progress with ensuring that traders and hauliers and other third parties are ready for the imposition of EU controls; and
- plans to mitigate the potential impact of the imposition of EU controls at the border.

Progress with implementing changes to systems, infrastructure and resources

2.2 As set out in paragraph 1.6, in their preparations for a possible no-deal EU Exit, departments focused on putting in place a minimum operating capability for the border. In preparation for the end of the transition period and beyond, departments need to make changes to improve upon their no-deal plans and to introduce import controls. **Figure 6** on pages 34 to 36 shows the key changes needed to government systems, infrastructure and resources for January and July 2021.

Figure 6

An overview of key deliveries in relation to border systems, infrastructure and resources in advance of January and July 2021

Despite the phasing of import controls, most of the key deliveries are required for January 2021

	January 2021		
IT Systems	**CHIEF system upgrades** The Customs Handling of Import and Export Freight (CHIEF) system is used by traders to submit customs declarations to HM Revenue & Customs (HMRC).	**NCTS** A New Computerised Transit System (NCTS) to facilitate transit movements under the Common Travel Convention (CTC).	**GVMS phase 1** The new Goods Vehicle Movement Service (GVMS) from January 2021 will provide Office of Transit (OOT) functionality to support transit movements.
	EMCS The Excise Movement and Control System (EMCS) records duty suspended movements of excise goods.	**S&S GB** The new safety and security system (S&S GB) will allow traders to submit safety and security declarations for imports to the UK.	**Check an HGV** A new traffic management application that informs heavy goods vehicle drivers if they are border ready.
	IPAFFS Import of Products, Animals, Food and Feed System (IPAFFS) developed to monitor and control the import of these goods from the EU and rest of world countries.	**EHCO** Export Health Certificates Online. An IT system to record Export Health Certificates.	**PEACH and e-Domero** Legacy systems for applying for plant and food health certificates and services.
	ALVS Automatic Licence Verification System (ALVS) that will link CHIEF and IPAFFS, enabling port health authorities and Animal Plant and Health Agency (APHA) to communicate the results of biosecurity and food safety checks to HMRC.		**Tariff Application Platform (TAP)** A system that transmits the Department for International Trade's (DIT's) tariff data to HMRC for the calculation of duties due at the border.
Infrastructure	**Inland sites outside Kent**, primarily for transit.[2]	**Traffic management measures**, including contraflow barrier on M20.	**Ports infrastructure upgrades**, funded by the Port Infrastructure Fund.
	Inland sites in Kent for traffic management and/or transit.	**Information and Advice sites** to provide support and advice to help hauliers prepare for the EU border.	**Inland Defra goods checks** Physical checks on high-risk live animals and plants to take place at destination or other approved premises.
Resources	Additional staff to perform roles that include compliance activity relating to customs and transit, the number of which will need to increase during this period.		
	Additional staff to support the checks on animals, plants, and their products. The number of which will need to increase during this period.		
	Additional staff to perform roles that include customer support and staffing of inland sites, the number of which will need to increase during this period.		

- HM Revenue & Customs
- Department for Environment, Food & Rural Affairs/Food Standards Agency/Animal Plant and Health Agency

April 2021	July 2021
	GVMS phase 2 GVMS needed to enable roll-on, roll-off traffic to flow through ports. Second phase of GVMS will also provide extra functionality.
	Additional inland sites for transit, sanitary and phytosanitary (SPS) and customs checks. **Additional inland site for transit**, SPS and customs checks. **Ports infrastructure upgrades**, funded by the Port Infrastructure Fund.

Border Force
Department for International Trade
Border and Protocol Delivery Group
Department for Transport

Figure 6 *continued*

An overview of key deliveries in relation to border systems, infrastructure and resources in advance of January and July 2021

Notes

1 This diagram shows the key deliveries required to deliver the Overall Operating Model for Great Britain. The key deliveries required for the implementation of the Northern Ireland Protocol are shown at Figure 12.

2 In addition, HMRC was in negotiations with two existing sites to expand capacity to undertake transit checks.

3 This diagram does not include the additional staff needed for the exports of animals and their products from 1 January 2021. For example official veterinarians, who are largely provided by the private sector.

Source: National Audit Office

Systems

2.3 We have reported several times on the readiness of individual systems needed to manage the border in the event of a no-deal EU Exit, including the risk ratings as assessed by the Border Delivery Group (BDG), now the Border and Protocol Delivery Group (BPDG). When we last reported, in October 2019, BDG was no longer reporting risk ratings on the individual key systems because it considered that they had largely reached their minimum operating capability for day one.[25] However, BPDG began reporting on these systems again because of the need to define and deliver the changes required to implement import controls and the Protocol.

2.4 Departments have made progress implementing the changes required for most of the IT systems required for 1 January, with some improvement in risk ratings since reporting recommenced in June 2020 (see **Figure 7** on pages 37 and 38). As at 21 October five of the nine key government systems on which BPDG was reporting were rated green for delivery of their minimum operating capability and the remainder were amber or amber-green, although timetables are still tight. Paragraphs 2.5 to 2.20 provide more information on the delivery risk for these systems for January, and information about their development or modification.

25 Comptroller and Auditor General, *The UK border: preparedness for EU Exit October 2019*, Session 2019-20, HC 98 National Audit Office, October 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/10/The-UK-border-preparedness-for-EU-exit-October-2019.pdf

Figure 7
Border and Protocol Delivery Group's (BPDG's) risk rating of the changes to systems or new systems required to manage the border from 1 January 2021

Five of the nine systems on which BPDG was reporting needed for 1 January 2021 were rated green for delivery as at 21 October 2020

Key responsible organisation	System	Description of why system is required on 1 January 2021 to deliver overall operating model	Border and Protocol Delivery Group risk rating as at 12 June 2020	Border and Protocol Delivery Group risk rating as at 21 October 2020
HM Revenue & Customs	Customs Handling of Import and Export Freight (CHIEF)	The CHIEF system is the current system for handling and risk-assessing customs declarations, and accounting for payment of duties.	Amber-Red	Amber-Green
	New Computerised Transit System (NCTS)	NCTS facilitates transit movements under the Common Travel Convention.	Amber	Not reported
	Goods Vehicle Movement Service (GVMS)	GVMS will provide Office of Transit functionality to support transit movements from January 2021.	Not reported	Amber
	Excise Movement and Control System (EMCS)	The EMCS system records duty-suspended movements of excise goods.	Amber-Green	Amber
	Import Control System for Great Britain	A new import control system that will allow traders to submit safety and security (S&S) declarations for imports to the UK.	Not reported	Green
Department for Environment, Food & Rural Affairs	Automatic Licence Verification System (ALVS)	The ALVS system links CHIEF and IPAFFS, enabling port health authorities and the Animal Plant and Health Agency (APHA) to communicate the results of biosecurity and food safety checks to HMRC.	Amber	Green
	Import of Product, Animals, Food and Feed System (IPAFFS)	The IPAFFS system will monitor and control the import of animals, animal-related products, high-risk food and feed goods from the EU and rest of world countries.	Amber-Green	Green
	Export Health Certificates Online (EHCO)	The EHCO system will record Export Health Certificates for specific goods.	Not reported	Green
	PEACH and e-Domero	Legacy systems for applying for plant and food health certificates and services.	Amber	Green
Department for International Trade	Tariff Application Platform (TAP)	A system that transmits DIT tariff data to HMRC for the calculation of duties due at the border.	Green	Amber-Green

Figure 7 *continued*

Border and Protocol Delivery Group's (BPDG's) risk rating of the changes to systems or new systems required to manage the border from 1 January 2021

Notes

1 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.

2 BPDG has not given a risk rating for NCTS because most of the technical preparations required for NCTS were completed in advance of the last 'no-deal' deadline of 31 October 2019.

3 GVMS will link data on the customs status of a given good with its movement, generating a single movement number that can be presented at a port and ensure smooth flow of road transports through ports. GVMS's full functionality is not required for GB until July 2021.

4 BPDG reported on a weekly or fortnightly basis other than during April and May 2020.

5 Defra is planning on incorporating the functionality that currently exists within PEACH and e-Domero into IPAFFS and EHCO in advance of July 2021.

6 The ratings reported are as per the BPDG weekly report as at 21 October 2020. The BPDG-reported rating for DIT's TAP programme was subsequently revised for that time period, due to a time lag in collation and reporting of ratings. The rating changed from green to amber-green because of delays in the confirmation of the final tariff schedule.

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

Customs and international trade

2.5 The Customs Declaration Service (CDS) is HM Revenue & Customs' (HMRC's) system to handle and risk-assess customs declarations, and account for payment of duties, which HMRC intends will replace the Customs Handling of Import and Export Freight system (CHIEF). We have reported twice on HMRC's implementation of CDS and also updated on progress in our previous border preparedness reports.[26] HMRC has delayed its planned delivery of CDS and migration of the approximately 150,000 traders currently using CHIEF several times since it began work on this area. CDS went live in August 2018 and the full IT functionality has subsequently been phased in. In May 2020 HMRC completed its original programme to develop CDS with a capacity of 60 million declarations annually, to handle existing levels of customs declarations of 55 million a year. As at September 2020 only 11 traders had been migrated on to CDS due to HMRC's focus on developing CDS to be able to implement the Protocol.

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

2.6 In April 2020, an independent review commissioned by HMRC concluded that substantial re-engineering would be required to expand CDS's capacity to handle the system interactions relating to the 270 million customs declarations HMRC estimated may be required annually from 2021. The independent review estimated that the volume of customs declarations requiring processing could increase significantly after 2021 as a result of new trade deals. Although the forecast number of declarations has grown over the period since the referendum, HMRC has known since it began its no-deal preparations in 2017 that CDS might need to handle a very significant increase in customs declarations. It has not addressed this largely because it focused its activity on CHIEF in advance of the previous no-deal EU Exit dates.

2.7 HMRC intends to use CHIEF as its primary customs system for Great Britain for January 2021 and to use CDS as its customs system for Northern Ireland (see Part Three). HMRC intends to run CHIEF alongside CDS until CDS is scaled to the required level. Continuing to run CHIEF carries a number of significant challenges relating to HMRC's ability to provide the appropriate technical support to an aging system. In advance of January 2021 HMRC has extended its contract with Fujitsu to support CHIEF, which expires in March 2021, at a cost of £85 million over five years from July 2020. It is also upgrading the system to work with other systems such as the Goods Vehicle Movement Service (GVMS) and accommodate other changes at the border such as changes to tariffs and postponed VAT accounting. HMRC has so far identified changes may be required to 43 of the 88 systems within the CHIEF ecosystem to keep it running for longer, but it is currently focusing on changes required for January. HMRC plans to complete CHIEF development and integration by the end of October 2020 for the changes required for the 1 January. As at 21 October 2020, BPDG rated CHIEF's readiness for January 2021 as amber-green. This is because of dependence on a small team of experts to undertake the work.

2.8 In October 2018 we reported that finding a solution that would enable traders bringing goods into the UK through roll-on, roll-off (RORO) ports to make declarations in a manner that meant that 'just-in-time' supply chains were not interrupted was one of two 'uniquely complex' challenges the government faced in regard to management of the border.[27, 28] HMRC has now developed a new pre-lodgement port model where goods can move quickly through a port, facilitated by GVMS which will link information on all the goods that are being imported, and their customs status, with the vehicle that is transporting them. Ports can choose whether to use the temporary storage model (which requires space and infrastructure to hold goods) or the pre-lodgement model (where goods require a customs declaration in advance of crossing the UK border). If using the pre-lodgement model, they can choose whether to use GVMS or existing inventory-linking systems. Providing the systems, infrastructure and resources to enable goods to be matched to declarations and to undertake checks is a significant programme of work. Due to the government's decision to phase in import controls, this does not all need to be complete until July 2021. However, HMRC needs to finish developing some GVMS functionality in advance of January 2021 because it intends to use it as a Digital Office of Transit Function and for trade in Northern Ireland (see paragraph 3.8).

2.9 HMRC is planning a phased delivery of GVMS. HMRC assessed in early September that the overall readiness of GVMS was high-risk, due to a lack of time for adequate integration and testing with hauliers and carriers. In response, HMRC has prioritised activity and is focusing only on the elements essential to support transit movements and the implementation of the Northern Ireland Protocol (see Part Three). A minimum viable product will be released in December 2020 and this will be followed by a second release by June 2021 that will provide more functionality and enable the delivery of GB import and export controls.

2.10 GVMS will support transit movements by allowing traders to send and receive arrival and departure notifications to customs and border offices. In advance of January 2021 HMRC needs to complete development of GVMS and integrate it with other IT systems including the New Computerised Transit System (NCTS) in which the movement of goods under transit is recorded. As at 21 October 2020, BPDG rated the delivery risk for the elements of GVMS required to support the transit scheme for January as amber.

27 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

28 The other was ensuring any arrangement for Northern Ireland respects the Belfast Agreement and meets UK commitments to avoid a hard border, and implements arrangements set out in the Withdrawal Agreement.

2.11 In early September 2020, HMRC began a consultation to understand the likely take-up of GVMS by ports for transit, focusing on 24 main ports. As at 27 October HMRC had received confirmation from 15 ports that they would use GVMS. One port confirmed it would use a manual transit process and HMRC was waiting for a decision from the remaining eight. If ports choose to use GVMS, they need to build a digital connection to the system. HMRC published the technical specifications for the Application Programme Interface (API) which ports and carriers need to build to connect to GVMS in July 2020.[29] It was unable to do so earlier because it needed to make sufficient progress in changing its own systems first. As at 21 October 2020 BPDG reported the readiness of the operator and port controls necessary to implement GVMS as red. In late October HMRC told us that it was confident that carriers and ports that choose to use GVMS had sufficient time to build the digital connection before the end of the transition period.

2.12 In addition to GVMS, BPDG has also rated the Excise Movement Control System (EMCS) as amber for January 2021. HMRC told us that delays receiving technical specifications from the EU had delayed progress and it may now be too late for the software providers to make the changes needed to systems to allow traders to submit declarations to HMRC.

Imports and exports of live animals, plants and related products

2.13 The Department for Environment, Food & Rural Affairs (Defra) has needed to expand on its no-deal plans for its Import of Products, Animals, Food and Feed System (IPAFFS). IPAFFS will now need to handle notifications of EU imports for all types of products, alongside imports of these products from the rest of the world. However, as a result of the phasing-in of controls for EU imports, IPAFFS will not need to receive notifications for all types of products from day one. For IPAFFS to be ready for 1 January 2021 it needs to be able to handle import notifications for:

- animals and high-risk animal by-products from the EU. Defra plans to have the full functionality ready before 1 January 2021;
- all animals and their related products from the rest of the world. The functionality is in place to handle these imports; and
- certain high-risk food and feed not of animal origin from the rest of the world. Defra plans to have the functionality ready before 1 January 2021.

29 An API is an Application Programming Interface which allows two applications to connect to each other.

2.14 As at 21 October 2020, BPDG reported the delivery of IPAFFS as green. Defra plans to complete testing by early December 2020. Traders who already import from the rest of the world will need to move across to IPAFFS from an existing EU system called TRACES before 1 January 2021. Defra plans to move traders across to IPAFFS from late November 2020.

2.15 During 2019 Defra began developing a new system to handle export health certifications of animals and animal products, called Export Health Certificates Online (EHCO). For each type of animal or animal product exported, traders must complete an export health certificate that confirms it meets the health requirements of the destination country.[30] EHCO replaces a manual service requiring forms to be downloaded and sent to the Animal & Plant Health Agency (APHA). Defra made EHCO available for public testing in June 2020 and by September 2020 it was being used to manage certificates for exports to the rest of the world. As at 21 October 2020, BPDG reported the readiness of EHCO as green for January 2021. If users do not move across to EHCO, APHA will need to recruit additional staff to manage certificates submitted via the legacy manual system.

2.16 Defra also intends to use IPAFFS and EHCO to handle import and export activity in relation to plants, and their products. However, for 1 January 2021, Defra intends to use the legacy systems currently used to handle this activity from the rest of the world, called e-Domero and PEACH. It is currently scaling up these systems to handle the additional notifications from traders importing from the EU. Defra assesses that it is on track to complete this work before 1 January 2021 but is planning contingency options. Defra is also considering how to maximise the number of traders who only import from the EU, and are not currently registered on PEACH and e-Domero, who can move straight to IPAFFS rather than move systems twice in a short period of time. It is currently undertaking work to try to identify those traders and encourage them to register on IPAFFS.

2.17 The Automatic Licence Verification System (ALVS) is an existing system that enables the sharing of information between HMRC's and Defra's systems. ALVS is critical to ensuring an operational link between CHIEF and IPAFFS. BPDG reports the readiness of ALVS for January 2021 as green.

2.18 A broader issue, not related to systems readiness, is that the UK will require 'third-country' listing to export animal or animal-related products to the EU after the end of the transition period. In 2019, the EU twice granted the UK third-country status, meaning that in the event of a no-deal EU Exit the UK would have been able to continue exporting live animals and animal products to the EU.[31] The EU has not yet agreed the UK's third-country listing after 31 December 2020.

30 Certain high-risk food and feed not of animal origin imported into the UK for re-export to the EU (and also Northern Ireland) will also require Export Health Certificates. Defra, the Food Standards Agency and APHA are working together on this requirement.

31 See footnote 25.

Overall systems readiness

2.19 Despite rating the delivery risk for most of the systems required for January as green, as at 21 October BPDG rated the overall systems risk as amber due primarily to risks relating to GVMS, and the readiness of external software providers. Software developers who make software that is used by importers, exporters and agents to submit customs declarations need to make changes to their systems to allow third parties to connect to HMRC's customs systems. Some ports and carriers also need to make changes to their systems, for example to support GVMS (see paragraph 2.11). However, neither were able to make progress on the changes required until they could be provided with detailed specifications by HMRC.

2.20 In addition, there are wider issues which raise the overall systems readiness risk. The complicating factors include the following:

- As we have reported previously, many of the systems have interdependencies with each other, and in particular with HMRC's customs systems.[32] Failure to implement one system could have implications for the ability of other systems to operate as planned.
- There is limited time to undertake end-to-end testing of border-related systems and how they operate in their environment.
- In some cases, departments will be seeking to operate new or changed systems, with new staff and with new users. The fixed nature of the end of the transition period makes this unavoidable but it brings a level of inherent risk. It is likely that some system or process issues will not be identified until they are operating in a live environment.

32 See footnote 27.

Infrastructure

2.21 We have previously reported that the government was planning on the basis that it did not have time to build any significant new infrastructure in advance of a potential no-deal EU Exit.[33] The exception to this was the work that it had undertaken to put in place traffic management arrangements and temporary transit sites in advance of a potential no-deal EU Exit. Since our last report in October 2019, departments have undertaken work to identify the infrastructure needed for the border to support the new operating model including putting in place a new compliance regime.[34] Departments have identified that a broad range of infrastructure is needed for multiple reasons, including:

- **Transit** – Departments anticipate a significant increase in traders wishing to use transit arrangements at the end of the transition period to enable them to simplify customs processes, or start or end transit movements away from the border (see paragraphs 2.25 to 2.27).
- **Multipurpose inland sites for the import compliance regime** – As some ports and other points of entry do not have enough space for the infrastructure needed for checks on imports, departments have decided to buy or lease land at sites away from the border on which new infrastructure can be built. Individual sites may be used for a variety of purposes, including for customs compliance, transit movements and sanitary and phytosanitary (SPS) checks (see paragraphs 4.8 to 4.10).[35]
- **Traffic management** – The government has assessed that there could be disruption at the border following the end of the transition period, which could be felt most strongly in Kent. Consequently the Department for Transport (DfT) is focusing its efforts on developing traffic management infrastructure for Kent (see paragraphs 2.52 to 2.58).
- **Port expansion** – Some ports and other points of entry will need to make changes to their infrastructure to support the new operating model at the border. Changes include providing additional frontier booths, lanes to travel through the port, and arrangements to 'turn back' hauliers not ready to cross the border (see paragraphs 4.6 to 4.7).
- **Stamping permits for the movement of certain goods** – Offices to enable the stamping of ATA Carnets for temporary imports and exports and CITES permits accompanying relevant goods, see the 'Border Operating Model'.[36]

33 See footnote 27.
34 See footnote 28.
35 SPS checks are checks on compliance with the World Trade Organization's (WTO's) basic rules on animal and plant health standards and food safety.
36 HM Government, *The Border with the European Union – importing and exporting goods* ('The Border Operating Model'), October 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925140/BordersOpModel.pdf

2.22 New or changed infrastructure will be required for both 1 January and 1 July 2021. The decision to phase in import controls means that the majority of infrastructure to support customs compliance checking and SPS checks on animals, plants and their products is not needed until 1 July and is covered in Part Four. Infrastructure required for transit movements and for traffic management is required for January 2021 and is covered in this part.

2.23 The number and capacity of sites that departments need to provide is determined by the volume of traffic and checks that will be required and the amount of infrastructure which ports intend to put in place themselves. There remains uncertainty on both these points, In addition, several ports have not yet decided whether or not they intend to put in place infrastructure themselves.

2.24 In order to ensure that there is sufficient capacity at government-provided sites, and due to the lack of time available, departments are seeking to balance putting in place sufficient infrastructure with trying not to spend money needlessly. However, they acknowledge that they are likely to spend money on some infrastructure which may not ultimately be required. BPDG's assessment of the number of sites needed has reduced over time as it has engaged closely with port operators on their current facilities and operations and future plans for building infrastructure at ports. Its current assessment is that 11 sites will be needed. **Figure 8** on pages 46 and 47 sets out, as at 21 October 2020, the locations where departments are currently planning on putting in place infrastructure and the functions it will serve.

Transit

2.25 Moving goods under transit arrangement allows traders to reduce the number of declarations they are required to make when moving goods across borders within a customs territory, and to suspend the payment of duties until goods reach their final destination. In deciding whether to use transit arrangements, traders need to balance the benefits of the relative ease of transporting goods with the investment required, for example in systems. It is difficult to estimate the number of traders who will decide to invest in the necessary systems and resources required to use this scheme, but HMRC estimates that there will be around 6.3 million transit movements in the first year after the end of the transition period, rising to 9.8 million in the second year. HMRC estimates that ultimately, 50% of all GB–EU movements at ports will be under transit arrangements.

Figure 8

The planned location, function and state of readiness of government-provided infrastructure sites

There remains uncertainty about the number of government-run infrastructure sites and whether work will be completed on time

Site	Included previously in no-deal EU Exit plans and exists	Type	Status	BPDG's reporting of January 2021 deliverability (as at 21 October 2020)	BPDG's reporting of July 2021 deliverability (as at 21 October 2020)
Ashford Waterbrook	Yes	Transit	Secured	Amber-Red	Amber
Ebbsfleet	Yes	Transit	Secured	Amber	Amber
North Weald	Yes	Transit	Secured	Amber	Amber
Ashford Sevington	No	Multi-functional and traffic management	Secured	Amber	Amber
Warrington	No	Transit	Secured	Red	Amber
Manston	Yes	Transit and traffic management	Negotiating/ under offer	Amber	Amber
Dover Whitecliffs	No	Multi-functional	Negotiating/ under offer	Not required	Amber
London Gateway	No	Transit	Negotiating/ under offer	Not required	Amber
Birmingham Airport	No	Transit	Negotiating/ under offer	Red	Red
Holyhead	No	Multi-functional	Negotiating/ under offer	Not required	Amber-Red
South Wales	No	Sanitary and phytosanitary checks only	Negotiating/ under offer	Not required	Red

Figure 8 *continued*

The planned location, function and state of readiness of government-provided infrastructure sites

Notes

1 See Figure 7, note 1 for risk rating definitions.

2 Sites marked as 'transit' are to support hauliers completing their documentation required as part of the transit scheme. Many of these sites will also be used to support the stamping of ATA Carnets for temporary imports and exports and CITES permits accompanying relevant goods, see the 'Border Operating Model', available here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925140/BordersOpModel.pdf.

3 Those sites marked as 'traffic management' are to be used to hold lorries in the event of disruption.

4 Multi-functional sites are to be used for customs compliance checks, for transit purposes or for sanitary and phytosanitary (SPS) checks. SPS and customs checks at inland sites are not required until July 2021.

5 BPDG's estimate of inland sites needed as at 21 October 2020. The number of sites may change depending on the infrastructure ports decided to build themselves – see paragraph 4.8.

Source: National Audit Office analysis of Border and Protocol Delivery Group's (BPDG's) documents

2.26 New infrastructure will be needed for 1 January to enable hauliers to present their goods at Offices of Destination and Departure, as is required under transit arrangements.[37] This infrastructure will be at inland sites, provided by the government, and at ports. HMRC has assessed that it will be very challenging to put in place all new inland transit sites for 1 January 2020. HMRC's assessment of the number of sites needed has reduced over time as it has developed its assessment of the number of traders who may use the scheme, and as it has got greater clarity on where ports may build infrastructure themselves. As at 21 October 2020, HMRC assessed that seven sites are needed for 1 January 2021, four of which were secured as part of no-deal exit planning, see Figure 8.[38] Ports had until the end of October 2020 to apply for infrastructure funding and so the exact locations of port provided transit facilities will not be known until funding has been awarded (see paragraphs 4.6 to 4.7).

37 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.

38 Of the 11 inland sites being developed, seven will be used for transit checks from 1 January 2021. In addition, HMRC was in negotiations with two existing sites to expand capacity to undertake transit checks.

2.27 As at 21 October 2020, BPDG reported the readiness of the individual sites required to support transit movements for January 2021 as either red, amber-red or amber. The government laid a Special Development Order (SDO) before Parliament on 3 September 2020 for new infrastructure, including transit sites, to help speed up development of the infrastructure required.[39] The SDO came into force on 24 September 2020. Several councils have raised concerns as this process overrides local planning decisions. The SDO requires that any department proposing an inland site, must engage with those parties affected by, or with an interest in (including residents and local councils), the proposed site before requesting approval for development from the Secretary of State for Housing, Communities and Local Government. An assessment of the proposed site's impact on the environment is also required. The planning permission only provides for temporary facilities that must be dismantled by the end of 2026. If the sites are not ready, some hauliers may need to use alternative sites.

Resources

2.28 In March 2020 we reported that more than 22,000 people were working on EU Exit at its peak in October 2019, ahead of the previous no-deal EU Exit deadline.[40] As of 10 September 2020, departments reported to the Cabinet Office that almost 13,000 staff within their core department are in roles primarily related to Transition, forecast to increase to over 18,000 staff by 31 December 2020.[41] This includes staff operating at the border as well as in other roles, and comprises staff in existing roles, staff redeployed within departments, staff redeployed from other government departments, as well as newly recruited staff. Additional staff are required to manage the border in a variety of roles including providing customer support; undertaking compliance checks and managing checking sites (see **Figure 9**). Some staffing requirements are still being confirmed. As at 21 October 2020, BPDG rated staffing as an amber delivery risk overall.

39 HMRC is leading on development of the Holyhead site, working with the Welsh Government.

40 Comptroller and Auditor General, *The cost of EU Exit preparations*, Session 2019–2021, HC 102, National Audit Office, March 2020. Available at: www.nao.org.uk/wp-content/uploads/2020/03/The-cost-of-EU-Exit-preparations.pdf

41 Not all departments have provided data to the Cabinet Office on the proportion of their workforce in roles related to Transition work.

Figure 9

The additional staff needed in key border-related departments and agencies in work relating to the management of the border

Additional staff are needed to manage the border in a wide variety of roles

Department/Agency	Key border related roles	Additional full-time equivalent staff required to fulfil border-related functions at the end of the transition period
HM Revenue & Customs (HMRC)	A wide variety of roles including compliance activity, customer support, policy development, digital support and staffing of inland checking sites.	Around 7,300 permanent staff and 1,400 non-permanent staff by the end of December 2020. This includes around 800 contingent labour for inland sites. This increases to around 7,500 permanent staff and 2,100 non-permanent staff by July 2021. This includes around 1,800 contingent labour for inland sites.
Border Force	Compliance activity relating to customs and transit.	1,950 overall of which 1,520 need to be in place by December 2020.
Department for Environment, Food & Rural Affairs/Animal and Plant Health Agency/ Food Standards Agency and local authorities	Compliance activity relating to imports of animals, animal related products, seafood and germinal products.	Around 450 required by July 2021 of which around 140 are required by April 2021.
Animal and Plant Health Agency	Plant health and seed inspections – imports and exports.	Around 250 overall of which around 210 need to be in place by December 2020.

Notes

1 Figures are for Great Britain (GB) only with the exception of HMRC which includes staff in customer services, policy and systems support who will work on both GB-EU and Northern Ireland Protocol requirements.

2 These figures represent the estimated total amount of staff needed by the key border-related departments and agencies to manage the border after the end of the transition period compared to before the referendum in 2016. Some of these staff are already in place and have been working on EU Exit and transition or on other activities.

3 Staffing data correct at 12 October 2020. Numbers subject to change as departments/agencies develop their plans.

4 The number of FTEs required by HMRC to meet its post transition period requirements. Not all may be directly border-related.

5 Assume documentary checks commence on 1 April 2021.

6 The number of staff required to undertake checks on animals and their products may change pending final decisions regarding the allocation of funding through the Port Infrastructure Fund, see paragraph 2.32.

7 Numbers for Border Force exclude staff required for Northern Ireland, see paragraphs 3.12 to 3.13.

8 Contingent labour includes temporary, interim or specialist workers used to provide business-as-usual or service delivery activities within an organisation.

Source: National Audit Office analysis of Border and Protocol Delivery Group's and departments' data

2.29 Since 2018-19, Border Force has been building its staffing to meet the requirements of a possible no-deal exit, and now for the end of the transition period. In total it anticipates needing a total of 2,000 additional staff to support EU Exit and transition work, of which 50 relate to Northern Ireland (see Part Three). Border Force has been using the 900 staff it had already recruited prior to the October 2019 EU Exit deadline to support business-as-usual activities (including filling temporary gaps created by staffing leaving the organisation). After the end of the transition period it intends to use the additional staff to perform a range of roles including customs compliance activity and managing transit arrangements. The staff will also be used to fill gaps relating to ongoing attrition. Of the 1,570 staff that are needed by the end of December 2020, 1,280 are already in post.[42] However, in order to meet challenging timescales and without certainty about the overall compliance regime or location of transit sites, Border Force has used forecast volumes by port provided by HMRC to guide the recruitment of staff to areas (e.g. clusters of ports) rather than precise locations. Locating staff to areas rather than precise locations creates flexibility in where they can be deployed, but could increase costs and travel time. As of 21 October 2020, BPDG reported the risk that Border Force will not have the required number of staff in place for January 2021 as amber-green.[43]

2.30 In February 2019 we reported that HMRC forecast it would need 5,474 additional staff in a no-deal EU Exit scenario.[44] HMRC's estimated overall staffing requirements for EU Exit-related work has increased to around 7,300 permanent staff and 1,400 non-permanent staff by the end of December 2020, rising to around 7,500 permanent and 2,100 non-permanent staff by the end of July 2021.[45] Most of these staff will work in roles which relate either directly or indirectly to the management of the border. To achieve the number of staff required in time, HMRC is planning to use a combination of contingent labour, the additional staff it already recruited for no-deal EU Exit planning and external recruitment, as well as redeploying staff from its existing customer services function. As of 21 October 2021, BPDG reported the risk that HMRC will not have the required number of staff in place for January 2021 as amber.

42 Including staff needed for Northern Ireland.

43 The ratings reported are as per the BPDG weekly report as at 21 October 2020. The BPDG-reported rating for Border Force resourcing was subsequently revised for that time period, due to a time lag in collation and reporting of ratings. The rating changed from amber to amber-green because of the development of further contingency plans.

44 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

45 Estimates as at October 2020.

2.31 The phasing-in of import controls from 1 January 2021 means that the introduction of checks on animals, plants and their related products are spread over a period of six months to July 2021 (see paragraph 1.9). Around 700 additional staff are required to support these checks by July 2021 but this estimate may be subject to change. Of these, around 210 staff are needed by 1 January 2021 for the import and export of plants and their products. Also, additional staff will be required for the exports of animals and their products from 1 January 2021, although these will not all be recruited by central government. We reported in October 2019 that Defra was concerned that there would not be enough veterinarians and local authority health officers to authorise export health certificates, needed for exports of animals and animal products.[46] Defra estimates that the demand for these certificates may increase fivefold. The number of veterinarians authorised to do this work has increased two-fold, from around 600 in February 2019 to 1,200 in September 2020. However, there is a long-term shortage of veterinarians. Local authority staffing is also under additional pressure due to COVID-19.

2.32 There is still uncertainty as to the total number of additional staff required at the border for the end of the transition period and beyond. Details of how the compliance regime will operate continue to be refined and estimates of the number of staff needed have changed over the course of preparations so far. Also, additional staff may be required at the inland sites that government plans to develop. The number of sites required are subject to change until ports have submitted bids to the Port Infrastructure Fund, and the government has awarded funding, and there is certainty on the number of sites that government that will need to provide. Based on plans for the 11 inland sites, HMRC plans to use contingent labour to provide around 800 staff by January 2021 to perform roles including security and facilities management.

Assurance, testing and contingency arrangements

2.33 BPDG and the Infrastructure and Project Authority (IPA) within the Cabinet Office are undertaking a programme of joint assurance work of the arrangements to be put in place for January. They are adopting a phased approach which mirrors the phasing-in of the Border Operating Model. The assurance activity for the deliveries required for 1 January 2021 is taking place between September and November 2020 and covers a combination of systems and operational testing. In addition, individual departments are undertaking their own assurance testing of relevant programmes. For example, HMRC is undertaking operational testing of transit arrangements during October 2020.

46 See footnote 25.

2.34 This joint work between BPDG and IPA supplements IPA's and individual departments' ongoing EU Exit and transition assurance work. As at the end of September 2020 IPA had undertaken reviews of 20 EU Exit-related projects and programmes and had a further 13 planned to be completed by the beginning of November. Some of the reviews IPA undertook were within the scope of this report including in relation to CDS; CHIEF; transit; and SPS checks. While the IPA recognised the hard work undertaken by departments to prepare for the end of transition, it also raised significant concerns regarding the deliverability of some of the programmes reviewed. Key issues raised included lack of clear delivery requirements as some policy areas are still subject to negotiations; insufficient time to carry out end-to-end testing of interrelated systems; and lack of business readiness among traders, customs intermediaries and software providers.

2.35 Departments are developing contingency plans if systems are not able to operate as planned, or if other stakeholders are unable to use the systems provided. Potential contingencies identified include using alternative IT systems; delaying or waiving control requirements and using manual processes. In making decisions about which contingency options to pursue, departments needs to balance a number of factors including the impact of flow of traffic at the border; the potential impact on fiscal and other risks; and the requirement to meet international obligations, such as compliance with WTO rules.

Progress with ensuring third-party readiness

2.36 In our previous reports we have highlighted that government is heavily dependent on third parties such as traders and hauliers being well-informed and making changes to their systems and behaviours.[47] A lack of third-party readiness has been one of the most significant risks to overall readiness throughout preparations for EU Exit. Ahead of a potential no-deal EU Exit in October 2019, departments undertook a number of actions to improve third-party readiness including launching a major communications campaign; undertaking a series of roadshows with traders and hauliers across Europe; and introducing new readiness checks for hauliers. In September 2019 it estimated that in a reasonable worst-case scenario, 30% to 60% of lorries arriving at the short Channel crossings would have been ready for a no-deal EU Exit. The government continues to face a challenge to convince third parties to prepare. This is in part because of the disruption caused by COVID-19, but also because some third parties continue to doubt that these preparations will ultimately be required.

47 See footnote 27.

Trader and haulier readiness

Communications

2.37 Traders and hauliers need to prepare for import controls which will operate as they arrive in to both the UK and the EU. Despite the government's decision to phase in UK import controls through to 1 July 2021, traders and hauliers still need to prepare for EU member states imposing full import controls from 1 January 2021. Until now, traders and hauliers have faced only limited controls on the movement of specific goods, such as firearms, and security checks relating to the movement of illegal goods or in relation to issues such as people smuggling.

2.38 On 13 July 2020 the government published its baseline Border Operating Model for after the end of the transition period.[48] The document sets out the processes for moving goods between Great Britain and the EU from January 2021 onwards. The government had originally intended to publish the model in March 2020 but delayed its publication due to the pause in its engagement with industry in response to COVID-19. On the same day the government launched a communications campaign, entitled "The UK's new start: let's get going", to set out the actions that businesses and the public need to take to prepare.[49]

2.39 All four industry representative bodies that responded to our call for evidence in September said they need greater clarity from the government on border processes and requirements at the end of transition. The Road Haulage Association said it does not consider that it will be possible to have a properly functioning border for road haulage by 1 January 2021, leading to supply chain disruption. Both the British International Freight Association and the Road Haulage Association raised concerns about the delivery and effectiveness of some of government's new IT systems. These and other representative logistics sector organisations sent a letter to the Chancellor of the Duchy of Lancaster on 2 September raising concerns about significant gaps in preparedness, including progress with building capacity in the customs intermediary market, systems readiness and physical border infrastructure. The letter warned of disruption to UK businesses and supply chains if these are not addressed.

48 GOV.UK, *The Border Operating Model*, July 2020. Available at: www.gov.uk/government/publications/the-border-operating-model
49 GOV.UK, *Major new campaign to prepare UK for end of the transition period*, July 2020. Available at: www.gov.uk/government/news/major-new-campaign-to-prepare-uk-for-end-of-the-transition-period

2.40 Following engagement with the border industry, through BPDG's regular and ongoing programme of industry engagement, the government subsequently published an updated version of its Border Operating Model, which contains greater detail on some aspects of the new processes, on 8 October 2020. While industry welcomed the additional detail provided in the updated version, some concerns were raised that it will be difficult for hauliers and ports to prepare until they start to see and use the systems and have certainty on infrastructure that will be in place.[50]

2.41 On 18 October 2020 the government launched a new campaign to hightlight the fact that "time is running out" for businesses to prepare for the changes that will happen on 1 January 2021.[51] It intends to run this campaign extensively across a wide variety of channels between now and the end of the transition period. In addition, departments are undertaking other, more-targeted measures to encourage businesses to prepare. For example:

- writing directly to businesses to encourage them to get ready;
- offering one-to-one support to the estimated 10,000 GB businesses whose trade exceeds £250,000 per annum but currently only trade with the EU and not the rest of the world. It is this population of traders which are most likely to be affected by EU controls and least likely to be prepared, as they will be encountering new processes;
- holding webinars to inform businesses of the changes that will occur and to enable them to ask questions; and
- developing a series of step-by-step guides to importing and exporting.[52]

The government has developed a set of metrics which it intends to use to measure the effectiveness of its approach. This includes measures such as: the number of hits on the relevant GOV.UK landing pages; the number of registrations to relevant systems, such as IPAFFS; and the number of high-value traders who have the software required to submit customs declarations.

50 House of Commons Transport Committee, Brexit preparedness in the transport sector, Uncorrected oral evidence transcript, HC 875, 14 October 2020, available here: https://committees.parliament.uk/oralevidence/1047/default/

51 GOV.UK, *Time is running out for businesses to prepare*, 18 October 2020. Available at: www.gov.uk/government/news/time-is-running-out-for-businesses-to-prepare

52 GOV.UK, *How to import and export goods between Great Britain and the EU from 1 January 2021*, 16 October 2020. Available at: www.gov.uk/government/publications/how-to-import-and-export-goods-between-great-britain-and-the-eu-from-1-january-2021

Check an HGV is ready to cross the border service

2.42 BPDG, working closely with DfT, plans to introduce a GOV.UK web service and online app,[53] known as the 'Check an HGV is ready to cross the border' service, to reduce the risk of delays at ports. Hauliers will use the service before travelling to check and self-declare that they have all the correct documentation to get through EU import controls. The service will be available to hauliers across the country no matter which port they propose to travel to. If hauliers plan to travel through Kent to the short Channel crossings, DfT has introduced legislation that will mandate the use of the 'Check an HGV' service which, if they successfully complete the checklist, will result in a permit being issued enabling them to drive through prescribed roads in Kent to the EU.[54] If they do not have the correct documentation, they will be directed to not take goods to port until the correct documentation has been secured. The web service will provide guidance and support to help the trader and haulier secure the correct documentation. BPDG plans to provide 'Check an HGV' in languages commonly spoken by lorry drivers as well as in English and Welsh.

2.43 As at 21 October 2020, BPDG's assessment of the risk of the 'Check an HGV' service being ready by December 2020 was amber. If ready in time, this service improves on some elements of the readiness checks that DfT had planned to undertake for a no-deal EU Exit. Those checks would have had to take place only when disruption had already occurred and there was static traffic in the Operation Brock queue on the M20, or at Manston. In October 2019, we reported that DfT had limited time to finalise arrangements for the checks and that stakeholders had raised concerns about how these checks would operate in practice.[55] Since then, BPDG and DfT have developed 'Check an HGV' to bring forward the process of hauliers establishing their readiness for the border ahead of arriving at the port. This requires hauliers to have a much more detailed knowledge of the load they are carrying than has been the case previously. The stakeholders in Kent we spoke with welcomed the development of 'Check an HGV' and thought that it would be useful if it prevented hauliers from arriving in Kent unprepared for the border. BPDG plan to test the software in mid-October, prior to launching the service in December, meaning there is limited time to test and rectify any defects found in the software. If 'Check an HGV' is not ready in time, and the Ashford Sevington and Manston sites are being used to hold lorries, DfT plans to put in place physical readiness checks at these sites instead.

53 The GOV.UK web service will enable the haulier to self-declare that they have all the documentation they need to take goods across the short straits. The related app will enable enforcement officials to confirm that a vehicle is registered on 'Check an HGV' and to see the outcome of the declaration.

54 Government plans to make use of 'Check an HGV' mandatory for hauliers travelling to Kent and advisory for others. Statutory Instruments laid in Parliament on 22 October 2020: The Heavy Commercial Vehicles in Kent (No.1) (Amendment) Order 2020; The Heavy Commercial Vehicles in Kent (No.2) (Amendment) Order 2020; and The Heavy Commercial Vehicles in Kent (No.3) (Amendment) Order 2020.

55 See footnote 25.

2.44 DfT is also developing plans to provide support and advice to help hauliers prepare for the EU border on an online web portal and at around 45 Information and Advice sites in GB, including at service stations and truck stops. DfT plans for the sites to be operated by multi-lingual staff, running some sites 24 hours a day. HM Treasury has approved funding for the sites but it will be challenging for DfT to get the sites fully operational as planned by 15 November. From 1 January 2021, DfT plans for these sites to also offer advisory readiness checks.

2.45 Despite the work that it is undertaking to help traders and others prepare, the government is working on the basis that business readiness has been, and may continue to be, affected by COVID-19 and that smaller businesses are likely to be harder to reach and slower to act. In addition government surveys show that some businesses continue to believe that the transition period will not end on 31 December 2020 or are unwilling to invest in making preparations for this. For example, as at 6 October 2020, 45% of the high-value traders who trade only with the EU had started to invest in readiness for January 2021. Also, 63% of those importing controlled goods, who will also be required to comply with UK import controls, had started to invest. As at 21 October 2020, BPDG rated trader and passenger readiness as red.

Passenger readiness

2.46 At the end of transition, freedom of movement will end for people travelling between the UK and the EU. Passports with at least six months validity will be required for travel to the EU and all passports will be checked crossing the UK–EU border. BPDG recognises that passengers might not be prepared for changes to controls, for example if forms of ID are no longer accepted, EU pet passports are no longer valid, or people can no longer pass through e-gates. As at 21 October 2020, BPDG rated amber the risk that changes to border policies could disrupt passenger flows and cause queues to form. The government's reasonable worst-case scenario assumptions suggest that passenger queues could last up to one to two hours at Dover or Eurotunnel in January 2021. However, the same modelling indicates that in a worst-case scenario, as the year progresses, with an increase in the number of passengers travelling in the summer months, the queues and delays could become much longer.[56]

56 This modelling is based on historic data on traffic flows and does not take into account external factors such as the potential impact of COVID-19 on traffic flows or any other actions since, such as improvements ports have made to their infrastructure since this modelling, which might affect the assumptions.

Customs agents and intermediaries

2.47 The government has recommended that traders use the services of a customs intermediary to help them prepare. In September 2020 BPDG reported that 53% of traders planned to use an intermediary; 30% were unsure; and 18% planned to undertake the necessary work themselves. We have previously reported that HMRC had confirmed that a very significant increase would be required in a no-deal EU Exit scenario and that the customs intermediary market might not be able to meet demand.[57] As of September 2020, the government estimates that there are 8,400 customs intermediary businesses operating in the UK but does not have an estimate of exactly how many will be required at the end of the transition period. The freight industry has estimated that 50,000 individual customs agents will be required.

2.48 If the customs intermediary market does not expand, HMRC estimates that around 235,000 EU-only traders may face difficulty securing a customs intermediary.[58] The government recognises that some of these smaller and less frequent EU-only traders may stop trading or change their trading patterns as a result. From its engagement with the sector, the government considers that the majority of intermediaries are preparing to make additional declarations compared to current volumes at the end of the transition period, and most of those that are scaling up have taken some action to prepare to do this. However, it is also aware that there remain barriers to expansion such as a lack of information on future border processes or a lack of awareness of government support. To address this, the government has undertaken further work to raise awareness of border requirements and the support available to the intermediaries' market.

2.49 During 2020, the government has increased its activity to support the market to expand. In June 2020 the government announced it was making a further £50 million available to the sector to support training, recruitment and the development of IT systems; bringing the total investment since 2018 to £84 million. This does not include the specific support it is giving to traders in Northern Ireland which we cover in paragraphs 3.17 and 3.18. The government also announced its intention to remove the financial liability from intermediaries operating on behalf of their clients,[59] to make taking on clients with little or no experience with customs more attractive, whilst allowing the traders to access simplifications under the intermediaries' authorisations. The government has also announced a simplification to allow some couriers to make a single declaration for multiple low-value parcels, thus reducing the number of declarations they will need to make.[60]

57 See footnote 25.
58 This number is an estimate which incorporates two sets of figures with different populations. In 2019, there were 149,000 VAT-registered businesses who traded only with the EU of which 135,000 relate to GB. HMRC does not know exactly how many non-VAT registered businesses trade only with the EU but estimates this to be around 100,000. This 100,000 estimate applies to the UK as a whole.
59 GOV.UK, *New measures to support customs intermediaries*, 12 June 2020. Available at: www.gov.uk/government/news/new-measures-to-support-customs-intermediaries
60 GOV.UK, *Apply to import multiple low value parcels on one declaration from 1 January 2021,* 21 October 2020. Available at: www.gov.uk/guidance/apply-to-import-multiple-low-value-parcels-on-one-declaration-from-1-january-2021

2.50 On 8 October 2020, in response to concerns that EU State Aid rules were preventing expansion of the market, the government announced that it will exercise an exemption within the rules to increase the amount of support that businesses can access from the customs grant scheme.[61] As at 16 October 2020, £55 million of the £84 million grant funding announced had been claimed, of which £25 million had been paid out. As at 21 October 2020 BPDG rated the risk that there would not be sufficient customs intermediaries in place for January or July 2021 as red. HM Treasury told us that the government is monitoring on a weekly basis how the customs intermediary sector is increasing.

Progress with mitigating the impact of EU controls

2.51 As with its previous planning for a no-deal EU Exit, the government has agreed a set of reasonable worst-case planning assumptions and their impact on traffic flow at the border in the event of disruption resulting from import controls by the EU (**Figure 10**). This is not a forecast of what the government expects will happen, but a set of planning assumptions it uses to inform its contingency plans and to take appropriate actions to mitigate risk, such as running its communication campaign to encourage traders to prepare. The government's latest planning assumptions, which were published in September 2020 show an improvement in the flow rate of lorries at the short Channel crossings after the end of transition period compared with their assumptions for 'day one' after 31 October 2019. However, the assumptions state that, in a reasonable worst-case, the flow rate at the border could be 60%–80% of normal levels at the bottom end of the readiness range shortly following the end of the transition period, with the risk of long queues and disruption diminishing over the following three months. Given the likely disruption this will cause, departments have again started to implement contingency plans to minimise the impact of disruption. This include: traffic management; procuring additional freight capacity; and activating civil contingency plans.

Traffic management

2.52 DfT is focusing its efforts on traffic management in Kent where it has assessed there will be significant disruption if there are delays crossing the border. Under the government's reasonable worst-case scenario, up to 7,000 lorries may need to queue at the approach to the short Channel crossings. The Kent Resilience Forum (KRF) is responsible for planning how to manage any potential emergencies which may result from the end of the transition period in Kent and DfT is responsible for putting in place infrastructure and traffic management plans for KRF to use as part of its plans.

61 The General Block Exemption Regulation covers a range of types of State Aid that do not require notification to, or approval from, the European Commission in advance of being granted, subject to certain conditions being met.

Figure 10

A comparison between the government's reasonable worst-case scenario assumptions for possible disruption at the short Channel crossings in September 2019 and September 2020

Under the government's reasonable worst-case scenario traffic flow at the short Channel crossings could be 60% to 80% of normal flow after the end of the transition period

	Estimated percentage of laden lorries arriving at the short Channel crossings which will not be ready for EU controls	Assumed traffic flow rate at the short Channel crossing routes
Government's reasonable worst-case scenario assumptions as at September 2019	40%–70%	45%–65% with worst disruption occurring over first three months and returning to 'normal' within 12 months
Government's reasonable worst-case scenario assumptions as at September 2020	40%–70%	60%–80% with risk of queues and disruption diminishing over first three months

Notes

1. The government's reasonable worst-case scenario assumptions are available at: www.gov.uk/government/publications/reasonable-worst-case-scenario-for-borders-at-the-end-of-the-transition-period-on-31-december-2020
2. The government defines a reasonable worst-case scenario as "a generic representation of a challenging yet plausible manifestation of a risk. The reasonable worst-case scenario is the worst case once the high-impact low-likelihood manifestations of a risk have been discounted. It is not a prediction of what will happen, rather an illustration of what we could reasonably expect to arise which is proportionate to use for preparation and planning purposes as a responsible government".
3. The short Channel crossings are Dover to Calais, Dover to Dunkirk via ferry routes, and Folkestone to Coquelles via the Channel Tunnel.
4. The government has estimated that, in a reasonable worst-case scenario, 50%–70% of large businesses will be ready and 20%–40% of small and medium-sized enterprises will be ready for border controls.
5. The estimated percentage of laden and empty lorries arriving at the short Channel crossings that would not be ready for EU controls under the government's September 2020 reasonable worst-case scenario assumptions was 30%–50%.
6. Assumptions as at September 2020. The government is using the assumptions to inform its planning and the actions it is taking, which subsequently may reduce the level of risk from that originally assessed.

Source: National Audit Office analysis of government's reasonable worst-case scenario assumptions

2.53 DfT has estimated that there is space at Dover Port, Eurotunnel and on the A20 leading to Dover to queue up to 2,050 lorries.[62] To support KRF's planning to manage additional queuing lorries, DfT is:

- replacing the temporary barrier used to create a contraflow on the M20 as part of no-deal exit planning to enable 2,000 lorries to be held on the motorway with a new one which can be deployed and retracted more quickly, at a forecast cost of £60 million. DfT is confident that the barrier will be ready for 1 January 2021, having tested it during September 2020;
- working to extend its lease of Manston airport for six months, and to ready the site, at a forecast cost of £33 million, to enable up to 4,000 lorries to be held there if needed;
- preparing a site in Sevington, Ashford at a forecast cost of £110 million, at junction 10A of the M20, to act as a temporary holding site for around 2,000 lorries. DfT finalised the purchase of the site in July and is confident that the site will be ready for 1 January 2021; and
- holding 600 lorries on the A256 on the approach to Manston airport.

2.54 Overall, if all elements of DfT's plans are in place before 1 January 2021, it expects that there will be capacity to hold up to 10,150 lorries on the approach to the short Channel crossings, significantly more than the worst-case scenario of 7,000 lorries.[63] DfT considers this approach is prudent, given the uncertainty around the actual level of disruption, the risk of COVID-19 making the situation worse or the possibility of an unforeseen event reducing capacity (for example, a lorry fire).

2.55 BPDG and DfT are putting in place a compliance regime to encourage hauliers to use prescribed routes through Kent to the short Channel crossings and to follow traffic management plans in the event of disruption. The proposals, to be enacted through secondary legislation, will also mandate the use of the 'Check an HGV' app for hauliers using border crossing points in Kent (see paragraph 2.42). Drivers found not complying could be issued with an on the spot fine of £300, or multiple fines if found to be contravening multiple requirements. Hauliers using border crossing points outside of Kent will be encouraged, but not mandated, to use 'Check an HGV'.

62 Included within the 2,050 figure is the Dover Traffic Assessment Protocol (TAP20). DfT has assessed that using TAP20 around 500 lorries could be held in the six-mile section of the A20 leading to Dover.
63 The total capacity available is reduced by 500 because once lorries are diverted to Manston, traffic management arrangements mean that the TAP20 is no longer available to queue lorries.

2.56 BPDG and DfT are developing operational plans for how the compliance regime will work and integrate with wider traffic management plans in Kent and the trade-offs necessary. For example, greater levels of enforcement activity may be disruptive to the flow of traffic and also require more resources. To support enforcement, BPDG and DfT are currently planning for data from 'Check an HGV' to be shared with the Driver and Vehicle Standards Agency (DVSA), and for new automatic number plate recognition cameras to be installed on the M20 and M2 in Kent. They told us that they are working with DVSA and Kent Police to design the level of enforcement possible, resource needs and where lorries will be directed to if found without a permit. DfT is also developing plans to use the Ashford and Manston sites to undertake compliance and readiness checks in the event that those sites are used to help manage disruption. BPDG and DfT aim to finalise detailed operational plans by the end of October to support the Kent Resilience Forum's traffic management plans. The Kent Resilience Forum told us that this was an important deadline as it needed to integrate this plan with local traffic management plans before testing them.

2.57 DfT's plans include a further contingency to prioritise specific perishable exports through Kent, if long queues form on the routes to the short Channel crossings and elements of traffic management plans are put in place (see paragraphs 2.52 to 2.53). This contingency, when activated, would enable priority exports to bypass traffic restrictions on the M20 between junctions 8 and 9.[64] The government has decided that single loads of fresh and live seafood for human consumption and day-old chicks should be prioritised.[65] DfT's current plan is for lorries carrying these goods to be identified through the 'Check an HGV' service, and then if the driver self-declares that they have all the correct documentation to get through EU import controls, they will be issued with a permit enabling them to travel through Kent to the Ebbsfleet inland site. After documentary and physical checks on a sample of goods, a priority permit and retro-reflective stickers will be issued, enabling them to travel down a designated priority route to the short Channel crossings.

2.58 While DfT has assessed that widespread disruption is unlikely outside of Kent, there could be increased queuing at certain ports and the impacts on local transport networks could be significant. DfT has received approval from HM Treasury to provide additional funding to the four Local Resilience Forums (LRF) supported as part of previous no-deal preparations, as well as potentially providing funding to a further four LRF subject to further agreement from HM Treasury.

64 Lorries carrying priority exports would be permitted to use the contraflow on the M20 between junction 8 and 9 put in place when the moveable barrier is deployed, and therefore not held with other lorries.
65 The government has assessed that these commodities are highly perishable, and in the case of day-old chicks, represent an animal welfare risk if they are significantly delayed.

Continuity of supplies for health and social care

2.59 The supply of medicines and medical products in the UK is highly dependent on the short Channel crossings. We reported in September 2019 on the Department for Health & Social Care's (DHSC's) preparations for maintaining supplies in the event of a no-deal EU Exit.[66] The likely disruption at the border after the end of the transition period, particularly at the short Channel crossings, again puts the flow of medicines and medical supplies into the UK at risk. The emergence of the COVID-19 pandemic has added more complexity and risk to preparations, including disruption to global supply chains and manufacturing. An unprecedented increase in demand for some medical goods to support the COVID-19 response has adversely impacted the medical industry's ability to prepare for the end of the transition period, for example to stockpile medicines and medical supplies. DHSC has had to consider some categories of medical supplies in greater detail than last time, including personal protective equipment and COVID-19 related pharmaceuticals.

2.60 DHSC is adopting a similar multi-layer approach to ensuring the flow of medicines and medical supplies after the end of the transition period to its previous plans, including re-routing away from the short Channel crossings and the stockpiling of medicines and medical supplies. In August 2020, DfT invited contractors on its previously established framework contract to bid to provide freight capacity for over 3,000 lorries per week away from the short Channel crossings. This would provide capacity for an additional 600 lorries per week beyond previous no-deal EU Exit plans to account for an increase in the requirement from DHSC for additional supplies which may be required as a result of COVID-19. Despite this work, on 21 October 2020 BPDG reported the delivery of the arrangements relating to continuity of supply as amber-red, with one of the main issues being the lack of readiness of suppliers. DfT announced the winning freight capacity contractors on 13 October 2020.[67]

66 Comptroller and Auditor General, *Exiting the EU: supplying the health and social care sectors*, Session 2017–2019, 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

67 The government has signed agreements with four ferry operators, worth £77.6 million combined. These agreements cover eight ports that the government has assessed are less likely to experience disruption.

Civil contingency planning

2.61 In its preparations for a no-deal EU Exit, the government had intended to activate civil contingency plans known as Operation Yellowhammer which comprised 12 workstreams focused on mitigating the short-term, severe, disruptive impacts of a no-deal EU Exit. In advance of 1 January 2021, the government told us it is planning on activating scaled-down civil contingency plans known as D20. It has not provided us with any papers supporting these plans. In addition, BPDG is setting up a Border Impact Centre to engage across government and beyond to share understanding of border flow and to identify any issues. The Centre is intended to provide information to help government ensure goods and trade continue to flow smoothly both after the end of the transition period, as well as in the longer term. It also aims to minimise the impact on industry and businesses by avoiding unnecessary and duplicative requests for data; and to support the management of the supply of priority goods, port capacity and critical transport routes. BPDG's ability to operate the Centre as planned is dependent on departments being able to legally share relevant data between them. BPDG is seeking to put this legislation in place through the Trade Bill.[68] BPDG is also exploring alternative legal gateways in case the Trade Bill does not receive Royal Assent before the end of the transition period.

2.62 The emergency response to COVID-19 has placed strain on local authorities to plan and put in place contingency arrangements. The Local Government Association told us that coping with planning for the end of the transition period and dealing with COVID-19 was stretching resources. Local government and others will also need to plan for a scenario where disruption at the border may be harder to manage if it also happens alongside further COVID-19 outbreaks, bad winter weather and a background of economic uncertainty.

68 Parliament.uk, Trade Bill 2019-21. Available at: https://services.parliament.uk/Bills/2019-21/trade.html

Part Three

Progress with implementing the Northern Ireland Protocol from 1 January 2021

3.1 This part sets out the:

- background to the introduction of the Northern Ireland Protocol (the Protocol);
- progress in implementing the Protocol; and
- progress in ensuring that traders who trade in and out of Northern Ireland are prepared for implementation of the Protocol.

Background to the Northern Ireland Protocol

3.2 Following the July 2016 vote for the UK to leave the EU, a key issue for negotiators has been how to maintain the open land border in Ireland, in accordance with the principles of the 1998 Belfast (Good Friday) Agreement, while providing scope for the UK and EU to have diverging customs regulations and sanitary and phytosanitary (SPS) standards. The solution in the Protocol, as agreed by the UK and the EU in October 2019 as part of the Withdrawal Agreement, is that Northern Ireland will remain part of the customs territory of the United Kingdom and will be able to benefit from any new trade deals the UK signs with third-countries. However, Northern Ireland will apply the EU's Union Customs Code (customs rules) and follow EU single market rules.[69] The Northern Ireland (NI)-Great Britain (GB) boundary will become the external boundary for the EU and UK for the purposes of customs rules, and some border checks will have to take place between GB and Northern Ireland, notably for agri-food movements. Under the Withdrawal Agreement, the Protocol is due to come into force on 1 January 2021, regardless of the progress of UK–EU negotiations.

69 The Union Customs Code (UCC) defines the legal framework for customs rules and procedures in the EU customs territory, adapted to modern trade models and communication tools.

3.3 The Withdrawal Agreement delegated many decisions about how the Protocol will operate to a Joint Committee comprised of UK and EU officials.[70] The Joint Committee oversees UK and EU implementation, application and interpretation of the Withdrawal Agreement, and it is the mechanism to seek to resolve any issues that may arise during implementation. The Joint Committee is co-chaired by the UK and the EU and decisions have to be agreed by both parties.[71] In May the UK government published a Command Paper[72] setting out its approach to the implementation of the Protocol in the Withdrawal Agreement (**Figure 11** overleaf). The European Commission's response was that: "The UK Command Paper published on 20 May is useful. But there are still a lot of details to be settled if we want to move from aspiration to operation, in line with the legal Treaty. Furthermore, some of the objectives set out in this Command Paper – such as avoiding exit declarations on goods moving from Northern Ireland to Great Britain – are incompatible with the legal commitments accepted by the UK in the Protocol. So we really need to work more on the technical details."[73] Since the publication of the Command Paper the UK and the EU have continued to discuss issues which require negotiation through the Joint Committee structure.

3.4 HMRC will need to apply two different sets of tariffs to goods arriving into Northern Ireland, depending on whether they are destined to remain in Northern Ireland or are 'at risk' of moving into the EU. This arrangement, known as a 'dual tariff regime', is not known to operate anywhere else in the world. The outcome of negotiations between the UK and the EU could make the system more complicated to apply if there is no free trade agreement that reduces or eliminates tariffs or no agreement that some goods are not at risk of onward movement.

3.5 In September 2020 the UK government announced its intention of passing an Internal Market Bill that would make provisions for UK ministers to disapply or modify the application of some specific elements of the Protocol. This is because the UK government believes that the default position that would apply if there is no further agreement in the Joint Committee on elements of the Protocol such as exit declarations on goods moving from NI to GB, or State Aid subsidies, are too restrictive. On 1 October 2020 the EU announced that it had begun infringement proceedings against the UK for breaching its obligations under the Withdrawal Agreement.[74]

70 The Joint Committee supervises the work of six Specialised Committees and takes decisions on their recommendations. The six Specialised Committees cover: Citizens' Rights; Other Separation Provisions; Ireland/Northern Ireland; Gibraltar; Sovereign Base Areas in Cyprus; and Financial Provisions. The UK co-chair is Chancellor of the Duchy of Lancaster, Rt Hon Michael Gove MP. The EU co-chair is European Commission Vice-President, Maroš Šefčovič.

71 The UK co-chair is Chancellor of the Duchy of Lancaster, Rt Hon Michael Gove MP. The EU co-chair is European Commission Vice-President, Maroš Šefčovič.

72 Northern Ireland Command Paper: *The UK's Approach to the Northern Ireland Protocol*, 27 May 2020. Available at: www.gov.uk/government/publications/the-uks-approach-to-the-northern-ireland-protocol

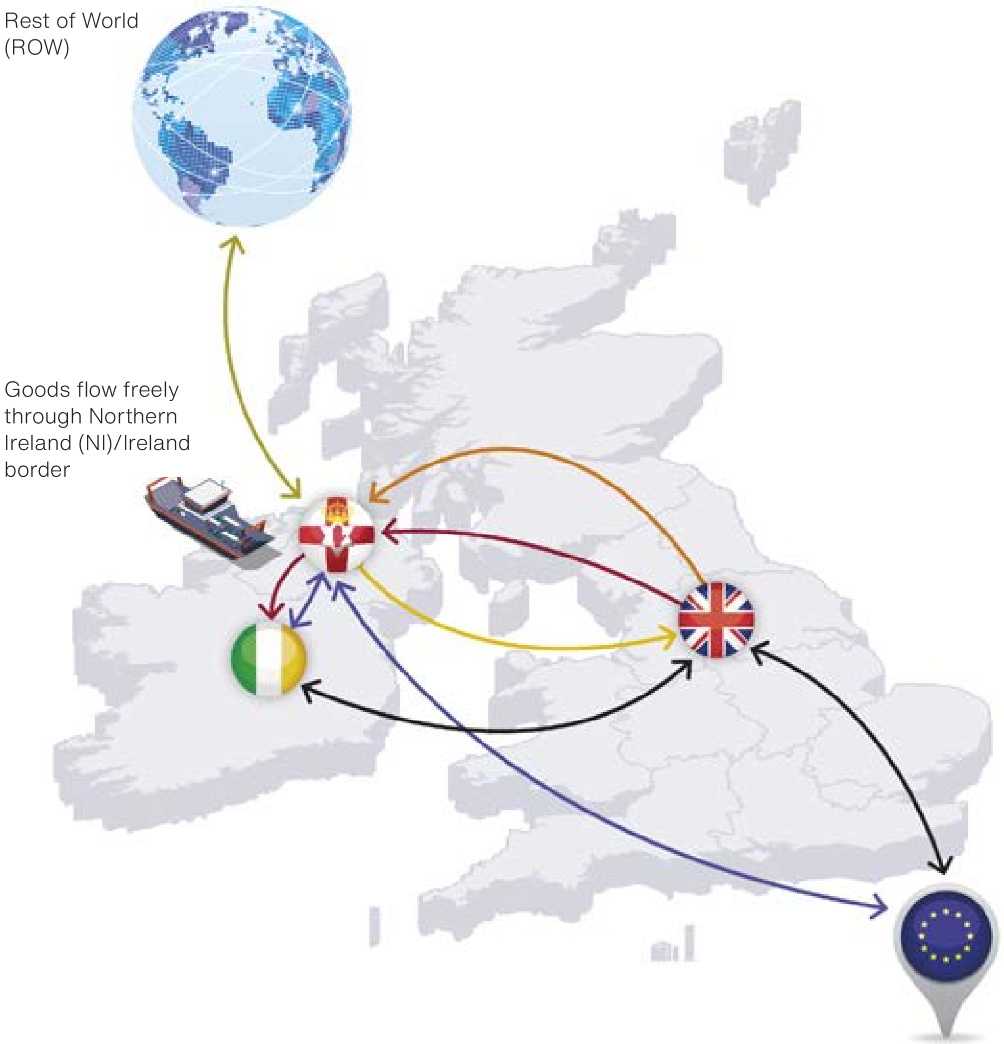
73 European Commission statement following Round 4 of negotiations for a new partnership between the European Union and the United Kingdom, 5 June 2020.

74 European Commission, *Withdrawal Agreement: European Commission sends letter of formal notice to the United Kingdom for breach of its obligations*, 1 October 2020. Available at https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1798

Figure 11

The operation of the Northern Ireland Protocol as set out in the UK government's Command Paper

The requirements for declarations and tariffs vary according to the direction of travel and final destination of goods



Great Britain (GB) → NI → Ireland/European Union (EU):
EU tariff charged on entry to NI if goods 'at risk' of going on to EU (goods 'at risk' to be defined by Joint Committee).

NI → GB:
Unfettered access between Northern Ireland and GB.[1]

GB → NI:
Tariff-free movement of goods within UK customs territory. Movements from GB to NI will need to be accompanied by a minimal administrative process (electronic declarations).

NI ↔ Ireland/EU:
Free movement of goods within EU Union Customs Code.

NI ↔ ROW:
While in the EU Union Customs Code NI can still benefit from any preferential terms the UK negotiates with other countries.

GB ↔ Ireland/EU:
As ROW but subject to any new future free trade agreement signed.

Northern Ireland 2018 total trade in goods with:	£ billion
Great Britain	16.9
The Republic of Ireland	5.5
The rest of the European Union	4.5
The rest of the world	5.6
Total	**32.5**

Note

1 The European Commission's view is that exit summary declarations are also required for goods moving from Northern Ireland to Great Britain under the Union Customs Code.

Source: National Audit Office analysis of 'The UK's approach to the Northern Ireland Command Paper' and statistics from the Northern Ireland Statistics and Research Agency

Progress with implementing the Protocol

3.6 The UK government is responsible for implementing the majority of the changes required under the Protocol but the Northern Ireland Department of Agriculture, Environment and Rural Affairs (DAERA) has devolved responsibility for implementing SPS checks. DAERA is working closely with the Department for Environment, Food & Rural Affairs (Defra) on this programme. UK departments and the Northern Ireland civil service face a very significant challenge in implementing the Protocol due to: the scale of the changes required; the limited time available; a lack of clarity over requirements and the dependence on ongoing negotiations; and the complexity of the arrangements. Failure to deliver the changes required could put the UK in breach of the obligations set out in the Withdrawal Agreement and cause uncertainty for traders. **Figure 12** on pages 68 and 69 sets out the key changes required.

Systems

3.7 HM Revenue & Customs (HMRC) is responsible for delivering most of the systems changes required to implement the Protocol. It has assessed that there are four interdependent core services which relate to:

- providing the capability to complete import and export customs declarations;
- collecting and sharing the results of safety and security declarations;
- implementing fiscal controls; and
- facilitating transit movements.

3.8 In May 2020, HMRC reported that delivering full functionality for the four core IT services was not feasible for December 2020 and that it was instead either looking to deliver interim products with reduced functionality, or to introduce contingency measures. However, since May HMRC has made progress putting in place the core elements required. The Customs Declaration Service (CDS) and Goods Vehicle Movement Service (GVMS), which are key elements of the four core services which HMRC must deliver, are particularly high-risk deliveries and are central to HMRC's plans to implement the Protocol.[75] On 9 September 2020, HMRC assessed the overall delivery risk for its Northern Ireland Protocol programme as amber-red. On 20 September 2020, HMRC told us that, following a re-planning exercise which prioritised elements of the programme, it was confident that it could deliver the systems required in advance of the end of the transition period. However, it acknowledges that bringing all the elements together is still very high-risk, and there is little time for software providers to make the necessary changes or to resolve any issues which may emerge during testing. HMRC is seeking to keep the changes required by software developers to a minimum and is developing contingency plans in case the changes cannot be made in time.

75 CDS is HMRC's customs system in Northern Ireland. GVMS will broadcast a status message for each lorry as it travels to Northern Ireland based on the HMRC risk assessment carried out while the journey is underway, including consignments that require SPS controls. Without this link, the processes would be manual.

Figure 12

The key changes required to border systems, infrastructure and resources to implement the Northern Ireland Protocol

Almost all deliveries required to implement the Protocol are needed for January 2021

	January 2021		
IT Systems	**CDS phase 1** The Customs Declaration Service (CDS) is the new system for traders to submit customs declarations to HM Revenue & Customs (HMRC) in Northern Ireland (NI)	**ICS NI** An import control system (ICS) to allow traders to submit safety and security (S&S) declarations	**NCTS** The New Computerised Transit System (NCTS) to facilitate transit movements under the Common Travel Convention
	GVMS phase 1 New Goods Vehicle Movement Service (GVMS) is needed to enable roll-on, roll-off (RORO) traffic to flow through ports. It will also provide Office of Transit (OOT) functionality to support transit movements	**EMCS** Excise Movement and Control System (EMCS) records duty-suspended movements of excise goods	**TAP** Tariff Application Platform (TAP) transmits Department for International Trade (DIT) tariff data to HMRC for the calculation of duties due at the border
	TRACES NT The Trade Control Expert System NT is the new EU system for monitoring imports of animals and their products, food and plants		**ICS2** New S&S declaration system for EU (required by March 2021)
Infrastructure	**NI port infrastructure expanded** To carry out animal, plants and their products checks at the GB-NI boundary		
Resources	Border officials to perform checks	Staff to perform roles including customer service support	Staff to carry out checking regime on animals, plants and their products

- HM Revenue & Customs
- Border Force
- Department for International Trade
- European Commission
- Responsibility devolved to Northern Ireland departments

Source: National Audit Office analysis of Border and Protocol Delivery Group's and departments' data

July 2021

GVMS phase 2

Second phase of GVMS will provide extra functionality

CDS phase 2

Upgrades to customs declaration system for NI

ICS2

New S&S declaration system for EU (required by March 2021)

3.9 Changes are also required to the systems which DAERA will administer to enable traders to import animals, plants and their products. DAERA had intended to use Defra's Import of Products, Animals, Food and Feed System (IPAFFS) for this purpose but, at the end of July 2020 the EU informed DAERA that it would not allow this system to be used in Northern Ireland and that it had to use the EU's own new system, TRACES NT. Whereas DAERA told us that some IT functionality is now in place it assesses that, due to time pressures, it will not be possible to fully develop processes to allow the adoption of TRACES NT by the end of December 2020. DAERA is undertaking contingency planning to seek to develop systems that will allow the inspection, the document check and the vehicle journey services to be in place for the 1 January, to provide a viable service.

Infrastructure

3.10 *The UK's Approach to the Northern Ireland Protocol* Command Paper (the Command Paper) set out the UK government's plans to use existing infrastructure at sites in Northern Ireland for checks on animals, plants and their products, some of which will need to be expanded.[76] The Command Paper stated that there will be no new physical customs infrastructure but some existing entry points for agri-foods would be expanded to provide for proportionate controls. DAERA is responsible for delivering the expanded infrastructure and told us that it is planning on the basis that this will be required at the ports in Belfast, Larne and Warrenpoint. DAERA told us its early work has confirmed the need for additional infrastructure to ensure compliance with EU controls, including some new facilities.

3.11 Due to the ongoing negotiations in the Joint Committee, DAERA does not have clarity on the amount of infrastructure which might be required for checks, which could vary significantly depending on the level of checking agreed with the EU. On 17 September 2020 DAERA issued invitations to tender for the construction work required at Belfast, Larne and Warrenpoint on the basis of its best estimate of the infrastructure required. This may need to be scaled up or down at a later date. On 18 September DAERA told us that it would not be possible to complete the build in time for 31 December 2020 and on 8 October DAERA told us that it was now engaged in contingency planning to identify what could be achieved by that date. This included the arrangements associated with staff, process and facilities at each of the sea ports in Northern Ireland.

76 See footnote 75.

Resources

3.12 HMRC's resource requirement relating to the Northern Ireland Protocol includes roles supporting compliance and transit activity. HMRC does not split its resource requirement between GB and Northern Ireland. As at 1 October, Border Force's requirement was for 50 officers, of which 26 newly appointed staff were in post with the remainder due to take up their appointment and be trained before 31 December 2020. Some additional staff will also be required to undertake roles which are devolved to the Northern Ireland government, for example in relation to sanitary and phytosanitary checks.

3.13 Several elements of the overall programme of work required to implement the Northern Ireland Protocol are at very high risk of not being able to operate as planned by 1 January 2021. The Cabinet Office told us that it is working with departments to identify acceptable contingency arrangements.

Progress with ensuring trader readiness for implementation of the Protocol

3.14 The UK government has said that the application of the Protocol will mean that, from the end of the transition period, there will be some new arrangements for goods moving into Northern Ireland from GB. For example, import declarations and safety and security declarations will be required for goods being imported into Northern Ireland from GB. The government has stated that businesses and individuals will be able to move goods from Northern Ireland into the rest of the UK on the same basis as now, and that trade in goods between Northern Ireland and Ireland will be unaffected.

3.15 The overall challenge of ensuring that third parties are ready for the end of the transition period is exacerbated in Northern Ireland by the ongoing negotiations over the precise nature of future arrangements and the high proportion of small and medium-sized traders with no previous experience of interacting with border authorities or completing customs forms. In August 2020 the UK government published guidance on moving goods under the Protocol.[77] However, the guidance is not complete. In September 2020, the Department for the Economy in Northern Ireland, which is responsible for economic development, told us that due to the ongoing negotiations, it did not have the information it needed to help traders prepare.

77 Cabinet Office, *Moving goods under the Northern Ireland Protocol section three: moving goods from Northern Ireland to the European Union*, 7 August 2020. Available at: www.gov.uk/government/publications/moving-goods-under-the-northern-ireland-protocol/moving-goods-under-the-northern-ireland-protocol-section-three-moving-goods-from-northern-ireland-to-the-european-union

3.16 There is likely to be a high compliance burden on some traders who import goods into Northern Ireland. For example, traders of agri-foods such as supermarkets may need to complete individual Export Health Certificates (EHCs) for each type of agri-food commodity shipped, at a cost of £200 per certificate. According to the Northern Ireland Retail Association, a single supermarket shipment based on current practices could therefore require hundreds of EHCs be completed for each trip. Even with adjustments to operations to streamline the administrative demands, this could add cost and delay to the shipment of food with the potential for an increase in the price of food and a restriction in the supply of some goods.

3.17 The UK government is seeking to reduce the burden on traders moving goods to Northern Ireland and to help traders prepare. In August 2020 it announced that it is investing £200 million to establish a free Trader Support Service (TSS) and £155 million to develop new technology to ensure the new processes with which traders must comply are fully digital and streamlined. TSS is intended to be a new, free, end-to-end support service available to all businesses engaging in new processes under the Northern Ireland Protocol. The scope of the service is still being determined but includes: educating traders and carriers about their obligations; completing customs declarations and safety and security requirements on their behalf; and ensuring the readiness of the software providers and Community Systems Providers who provide software which enables traders to connect to customs systems. In other areas it will only provide guidance. It will be available to businesses moving goods between GB and Northern Ireland or bringing goods into Northern Ireland from the rest of the world. While work to put in place the service was ongoing, as at 16 October 2020, HMRC had let a contract to a consortium led by Fujitsu to deliver the service but had not finalised all of the contract's details, including cost and duration.[78]

3.18 There remains very little time to set up TSS; identify NI traders and sign them up to use the service; recruit and train the staff required; develop software to enable traders to connect to HMRC's systems; and deliver educational activities to traders. HMRC estimates that the population of traders moving goods between GB and Northern Ireland is around 12,000. As at 23 October, 3,468 had registered for the TSS. While the negotiations remain ongoing, TSS will be subject to the same barriers faced by others regarding a lack of clarity about the requirements of the role it must undertake, and the support it will need to provide to traders. In September 2020 the NI Business Brexit Working Group testified to the Northern Ireland Assembly Committee for Agriculture, Environment and Rural Affairs that while the new service might reduce friction from customs, it would not help firms comply with other requirements such as EHCs and that firms might find they do not have a viable business model after the end of transition.

78 HM Treasury told us that it had already provided HMRC with £50 million for costs relating to the TSS falling in the 2020-21 financial year and further funding will be subject to the outcome of the contract negotiation and the Comprehensive Spending Review, which will determine budgets for future years.

3.19 In September 2020 the Infrastructure and Projects Authority (IPA) undertook an assurance review of HMRC systems changes required in advance of the end of the transition period, including in relation to the Northern Ireland Protocol.[79] This report provided a snapshot in time of the programme, and further work will have since taken place to seek to address any issues. At that time, the IPA raised several issues relating to traders' readiness to be able to use the systems required, including the need to identify and migrate traders on to CDS; the challenges of setting up the Trader Support Service; and the need to pull resources from operational teams which were already under pressure to deliver core services, such as CDS.

3.20 There is a risk that some of the arrangements being put in place to implement the Protocol may cause unintended consequences to the flow of goods between GB and Northern Ireland. For example:

- any tariff differentials between different customs regimes could present new opportunities for fraud, evasion or avoidance and smuggling;
- the operation of different regulatory regimes could impede the flow of highly regulated goods, such as medicines, from Great Britain into Northern Ireland; and
- some businesses may consider that the overall burden of complying with the Protocol, including increased costs, is such that it is not worthwhile for them to continue to trade.

79 The review was issued to the Senior Responsible Officers for the programme on 28 September 2020.

Part Four

Progress with implementing arrangements to manage the border from 1 July 2021 and beyond

4.1 This part relates to issues beyond the end of the transition period. It covers:

- progress implementing the changes required to systems, infrastructure and resources from 1 July 2021; and
- longer-term issues relating to the management of the border.

Progress with implementing the changes required to systems, infrastructure and resources

Systems

4.2 Despite the government's decision to phase in import controls, the majority of the systems change that departments are required to make need to be in place by January 2021, either because they are needed for the first phase of controls, or because they are required to implement the Northern Ireland Protocol. However, HM Revenue & Customs (HMRC) needs to make some further changes to two systems to implement government's import control regime by July 2021. It needs to:

- deliver additional functionality to the Goods Vehicle Movement Service (GVMS) which will support HMRC's ability to identify errors in declarations and to allow hauliers' existing software to link directly to GVMS; and
- put in two new systems to expand the capacity of the UK's existing Import Control System (ICS) and facilitate collaboration between the UK and EU member states (ICS2). ICS can only currently handle eight million safety and security declarations per year, well below the estimated 92 million per year that will need to be processed after the end of transition.

4.3 As at 21 October 2020 the Border and Protocol Delivery Group (BPDG) rated delivery of GVMS for July 2021 as amber-green. For the two new ICS systems, the system to be used to expand capacity was rated amber-green in October by BPDG. However, the system needed to facilitate collaboration, ICS2, was scheduled to come into operation in March 2021 but will now not be completed until August 2021. ICS2 is not a requirement for July 2021 because it does not relate to the UK's plans to introduce import controls.

4.4 From April 2021, new import requirements, including import pre-notifications and phytosanitary certificates, will extend to cover all regulated plants and plant products in line with the phasing-in of controls. While these requirements remain unchanged for July 2021, these goods will be subject to an increased number of identity and physical checks. Defra intends to move traders from the existing plant health systems of PEACH and e-Domero on IPAFFS and EHCO from February 2021. Defra is currently undertaking work to ensure that IPAFFS and EHCO have the necessary functionality to be able to handle notifications relating to plants.

Infrastructure

4.5 Departments need to put in place infrastructure in advance of July 2021 to support the government's new import control regime. Historically such infrastructure would be provided at and by ports. However, due to the lack of space in some ports, and the need to put the infrastructure in place quickly, the government has decided to support the provision of such infrastructure. It will do this by providing funding to some ports to enable them to put in place the necessary infrastructure and by building additional government-run inland facilities to undertake checks.

Port expansion

4.6 In July 2020 the government announced that £470 million of funding would be made available to fund port and inland infrastructure needed to ensure compliance with new customs procedures and controls. On 2 October 2020 the government announced that £200 million of this funding would be used for the Port Infrastructure Fund. The fund is intended to speed up the provision of infrastructure within ports to better facilitate the flow of trade into the UK from the EU by reducing the risk to their business model of putting in place new facilities in the context of great uncertainty about demand in individual locations. For example, this may include simple warehouse construction and fit-out of buildings required to conduct border controls or road and parking improvements to enhance traffic flow through ports.[80]

80 The fund only covers capital expenditure.

4.7 The Department for Transport and BPDG, who are responsible for administering the Port Infrastructure Fund, intend to award grants shortly after the 30 October deadline, which ports do not need to pay back.[81] Depending on the infrastructure ports decide to put in place, and when they receive funding, it will be challenging for ports to complete all planned infrastructure and related approvals for use before import controls are fully phased in on 1 July 2021.

Government-run inland facilities

4.8 In addition to the £200 million Port Infrastructure Fund, the government has earmarked £270 million to build its own new sites where ports cannot, or do not intend to, expand their facilities. This includes, for example, an additional Border Control Post for the short Channel crossings in Kent where there is not sufficient space for this at the crossing points themselves. The exact number of inland sites needed will depend on the ports' expansion plans, bids made to the Port Infrastructure Fund and when funding is awarded. As at 21 October 2020, BPDG expects that 11 inland sites will be needed, primarily for transit.[82] BPDG may need to work with other departments to reallocate funding between the Port Infrastructure Fund and that earmarked for inland facilities, depending on demand.

4.9 BPDG has assessed that it may take up to one year to secure the land for the inland sites and build the necessary infrastructure. To speed up the construction of the inland sites the government is also using a Special Development Order to grant temporary planning approval. Before the development of a particular site can start, the Secretary of State for Housing, Communities and Local Government must approve the plans (see paragraph 2.27).

4.10 As of 21 October 2020, BPDG assessed that there was a high risk of infrastructure not being ready for 1 July 2021, rating amber-red the risk that infrastructure would not be ready in time.

81 Pending approval of the final business case by HM Treasury.
82 In addition, HMRC was in negotiations with two existing sites to expand capacity to undertake transit checks.

Resources

4.11 By 1 July 2021, the full complement of specialist staffing – including animal health inspectors, plant health and seed inspectors, environmental health officers and veterinarians needed to monitor and control the imports of animals, plants, and their products from the EU – will need to be in place. In total around 490 additional staff to those required by 1 January 2020 are needed by July 2021.[83] However, details of how the compliance regime will operate continue to be refined and this number may change (see paragraph 2.32). Not all of the resources required will be provided by central government, for example, local authorities are responsible for providing environmental health officers. Some of these roles are specialist and are not easy to recruit. As of 21 October 2020, BPDG rated the risk that central government bodies would not have the required number of staff to support import controls for 1 July 2021 as amber and that others such as local authorities as amber-red.

4.12 In addition to the specialist staff required to monitor and control imports of animals, plants and their products, Border Force and HMRC are planning to increase staff numbers from 1 January 2021 performing roles that include supporting customs compliance activities and staffing the inland sites. Border Force and HMRC have assessed that they require an additional 430 and 900 full-time equivalent staff respectively to those required for 1 January 2021. Any staff required to resource the new infrastructure built by ports using funding awarded by the Port Infrastructure Fund will not be covered, and would be provided by the ports themselves. As of 21 October 2020, BPDG rated the risk that Border Force would not have the staff in place for 1 July 2021 as amber.[84] Overall, BPDG rated the risk that staff would not be in place for July 2021 as amber-red.

4.13 If infrastructure and resources are not ready this could extend the amount of time that the UK is at risk of not being compliant with WTO rules, unless covered by one of the exceptions. It could also increase the likelihood of criminal behaviour such as smuggling, and that the government fails to collect all the taxes due on transactions at the border.

83 By January 2021, around 210 additional staff are required for the import and export of plants and their products. Around 490 additional staff required by July 2021, taking the total number of additional staff required to check imports and exports of animals, plants, and their products from the EU to around 700 by July 2021.

84 BPDG did not report on the risk that HMRC did not have required staff in place by July 2021.

Longer-term issues relating to the management of the border

The future border

4.14 After the end of the transition period, the government will begin receiving a large amount of information about the flow of goods crossing the EU–UK border, which it did not previously receive. The government initially intends to apply the same compliance regime to these goods as it does to goods arriving from the rest of the world and plans to develop its compliance approach over time. The government will need to build up its capability to analyse these new data and effectively target the specific fiscal and regulatory risks relating to goods arriving from, or via, the EU.

4.15 The UK will potentially lose access to some information regarding people crossing the border. The UK is seeking to negotiate access to passenger name records data, which allows law enforcement and security agencies to identify individuals involved in crime and terrorism. It is also seeking for an agreement to provide a mechanism for the UK and the EU to share and act on real-time data on persons and goods of interest. This capability is currently provided by the Schengen Information System II (SIS II), to which the UK will lose access at the end of the transition period in the absence of a negotiated outcome incorporating ongoing access. If an agreement cannot be reached, the Home Office and police intend to use Interpol channels to exchange information with EU member states, alongside other bilateral channels.

4.16 In addition to implementing its immediate plans for the border, government is developing a strategy for a future border and aspires to have the "best and most effective border" in the world by 2025. The government launched a consultation on 22 July 2020 seeking "the views and expertise of stakeholders to help develop the 2025 border strategy and ensure that the government and industry are able to work together to deliver a world class border." The consultation ended on 28 August 2020 and the government intends to publish a response in the form of a 2025 UK Border strategy at the end of 2020.

Appendix One

Our audit approach

1 This study provides an independent view on the government's preparedness at the border for the end of transition and beyond.

2 We developed an analytical framework to examine:

- the government and departments' actions to prepare for the end of transition and beyond; and
- the government and departments' actions to mitigate the associated risks.

3 Our audit approach is summarised in **Figure 13** on pages 80 and 81. Our evidence base is described in Appendix Two.

Figure 13
Our audit approach

The objective of government

On 31 January 2020 the UK left the EU and entered a transition period, as specified in the Withdrawal Agreement agreed in October 2019 that established the terms of the UK's departure from the EU. The government's objective now is to be prepared at the border for the end of the transition period on 31 December 2020. 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

When the transition period ends the UK will cease to be part of the EU single market and customs union. Both the UK and EU have confirmed that in 2021 they will implement full customs, safety and regulatory controls on goods passing between them, regardless of whether any additional free trade agreement (FTA) is agreed. Therefore, the government is preparing to put in place new systems, upgrade existing systems and make further extensive changes. 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. It sets out the preparations that government and departments have been undertaking to manage the border after the end of the transition period; their degree of readiness to implement their plans; and highlights the significant risks to the effective functioning of the border from 1 January 2021.

Our evaluative criteria

1 The government and departments have, or are, taking action to prepare for the end of transition.

2 The government and departments have taken action to mitigate risks to the effective functioning of the border from 1 January 2021.

Our evidence

(see Appendix Two for details)

We examined the government and departments' actions to prepare for the end of transition and to mitigate risks by:

- reviewing and analysing departments' documents including board papers, programme documentation and delivery plans;
- conducting interviews with key personnel responsible for the end of transition preparations within departments;
- analysing submissions from stakeholders; and
- interviewing stakeholders.

Our concluding remarks

While the UK has now left the EU, preparations to manage the border at the end of the transition period remain very challenging and have continued to be significantly affected by the ongoing negotiations and wider political context, and by the impact of COVID-19 on both government's and businesses' ability to prepare. The end of the transition period is unlike any previous EU Exit deadline in that, regardless of the outcome of negotiations on the future relationship between the EU and the UK, things will change. The government is planning for significant change at the border from 1 January 2021. Departments have built on their no-deal planning and, although hampered by the challenges of the COVID-19 pandemic, have made progress in recent months implementing the changes required to systems, infrastructure and resources. However, significant risk remains, in particular in relation to the arrangements required to implement the Northern Ireland Protocol. The government must continue to focus its efforts on resolving the many outstanding practicalities relating to both the Great Britain and Northern Ireland operating models and developing robust contingency arrangements if these cannot be resolved in time.

Figure 13 *continued*

Our audit approach

Our concluding remarks *continued*	It is very unlikely that traders, industry and third parties will be ready for the end of the transition period, particularly if the EU implements its stated intention of introducing full controls at its border from 1 January 2021. The government recognises that there will be disruption and is putting in place arrangements to monitor issues as they emerge. It will need to respond quickly to try to minimise their impact. It also needs to be alert to any increased risks of smuggling or other criminal behaviour which exploits gaps or inconsistencies in border operations. There is a risk that widespread disruption could ensue at a time when government and businesses continue to deal with the effects of COVID-19. The increasing time pressure and risks, and the uncertainty caused by the ongoing negotiations, mean that the government is committing a lot of money to progress preparations in areas, such as port infrastructure and customs intermediaries, which would traditionally be provided by the private sector. The unique situation in which departments are operating makes some element of additional spending inevitable, and it is right that the government does what is appropriate to mitigate the risks. However, despite the funding being committed by government, there remains significant uncertainty about whether preparations will be complete in time, and the impact if they are not. Some of this uncertainty could have been avoided, and better preparations made, had the government addressed sooner issues such as expanding the customs intermediaries market, developing a solution for roll-on, roll-off (RORO) traffic, upscaling customs systems and determining the requirements for infrastructure to enforce a new compliance regime.

Appendix Two

Our evidence base

1 Our independent conclusions on how prepared the government and departments are for the changes needed at the border for the end of the transition period were reached following our analysis of the data we collected. Our fieldwork took place from July to October 2020.

2 We applied our analytical framework to assess the government's actions to prepare for the end of transition and manage the associated risks. Our audit approach is outlined in Appendix One.

3 We examined the government's and departments' progress in preparing for the end of transition, and managing risks, by:

- reviewing and analysing government documents, including management information provided to key boards, committees and the Border and Protocol Delivery Group (BPDG). We examined BPDG reports containing information, assumptions and updates on key risks and progress against 10 priority areas, documentation on border-related workstreams from the BPDG, the Cabinet Office and other departments with responsibilities at the Border. We also examined programme documentation and performance reports produced by individual departments, including HM Revenue & Customs, the Home Office including Border Force and the Department for Environment, Food & Rural Affairs;

- conducting interviews with key personnel responsible for preparation at the border across government departments and agencies including the BPDG; the Cabinet Office; the Transition Task Force; HM Revenue & Customs; the Home Office including Border Force; the Department for Environment, Food & Rural Affairs; the Food Standards Agency; the Animal Plant and Health Agency; the Department for Transport; Highways England; the Department for International Trade; and the Department of Health & Social Care;

- conducting interviews with key personnel responsible for preparedness for the end of the transition across the Northern Ireland Executive, including the Executive Office; the Department for the Economy; the Department for Infrastructure; and the Department of Agriculture, Environment and Rural Affairs. The Northern Ireland Audit Office attended as an observer;

- conducting interviews with external stakeholders, including ports in Great Britain and Northern Ireland, port associations, Eurotunnel, the Local Government Association and the Kent Resilience Forum;
- reviewing evidence from interviews with key personnel responsible for preparations at the border alongside findings from government documents and interviews with external stakeholders to understand the reasons for any variations and to strengthen the report's evidence base;
- analysing Infrastructure and Projects Authority internal reviews of key programmes related to implementing new systems and infrastructure at the border after the end of transition period, including IT systems for processing customs declarations, systems and infrastructure for sanitary and phytosanitary (SPS) goods and transit infrastructure; and
- analysing submissions from stakeholders in response to the National Audit Office's September 2020 call for evidence on preparedness for the end of transition, and also reviewing public statements from stakeholders. We contacted trade associations, community system providers and organisations in the transport and logistic sector in the UK. The call for evidence asked for their views on the clarity of the government's plans for the border after the end of the transition period, including in relation to the publication of the Border Operating Model and the guidance on moving goods under the Northern Ireland Protocol, and whether they had enough time to prepare to comply with new border requirements. We received a small number of submissions from associations and organisations, which we have referenced in the report.

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