National Audit Office

The UK border: Post UK–EU transition period

Cross-government

REPORT

by the Comptroller and Auditor General

SESSION 2021-22
5 NOVEMBER 2021
HC 736

Contents

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Key facts

23%

decrease in total UK trade in goods with EU countries comparing Quarter 1 2021 with Quarter 4 2020 (UK–EU trade flows have been affected by both EU Exit and the COVID-19 pandemic)

140,000

Export Health Certificates signed by certifying officers for the export of goods from GB between January and July 2021 (of which 116,000 related to the export of goods from GB to the EU)

48m

the number of full or simplified customs declarations made by traders to HM Revenue & Customs during the period between January and August 2021 (compared with 44 million during the whole of 2020)

£470 million	government's current allocated funding for infrastructure required for checks at the border, comprising £200 million in grants to ports through the Port Infrastructure Fund and £270 million for inland border facilities (in addition to the amount funded by ports, which is unknown)
£113 million	the amount that the government has spent on financial support for industries and sectors affected by the end of the transition period in Great Britain
>£500 million	UK government funding made available to support businesses trading in Northern Ireland
1.2 million	movements of consignments from Great Britain to Northern Ireland supported by the Trader Support Service between January and September 2021

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Summary

Introduction

1 On 17 October 2019 the UK and the EU concluded the Withdrawal Agreement, establishing the terms of the UK leaving the EU, and setting out Northern Ireland's future relationship with the EU and Great Britain (GB) (known as the Northern Ireland Protocol or the Protocol). On 31 January 2020 the UK left the EU, no longer participating in the EU's decision-making, and entered a transition period during which existing rules on trade, travel and business between the UK and the EU continued to apply. Other key events in the timeline included the following:

- On 8 December 2020, the UK government announced that it had come to an agreement in principle with the EU on the terms of implementation of the Protocol, which had not been finalised in the Withdrawal Agreement.
- On 24 December 2020, the UK and the EU reached a Trade and Cooperation Agreement (TCA), which set out the details of the future relationship between the UK and the EU.
- On 31 December 2020, the transition period ended and the Northern Ireland Protocol came into effect.

2 In advance of the end of the transition period, the government put in place an initial operating capability for the GB-EU border for 'day one' and the arrangements necessary to implement the Northern Ireland Protocol. Under the terms of the Protocol, Northern Ireland (NI) is part of the UK's customs territory but should apply the EU's customs rules and follow EU single market rules. Although the Protocol has been in operation since the end of the transition period, the UK and the EU agreed that a number of grace periods should initially apply to certain aspects of the Protocol to give government and traders more time to prepare for the changes to come. The UK and the EU are currently in discussions regarding the Protocol. On 6 September 2021, the UK government confirmed that it would continue to operate the Protocol on the current basis, including the grace periods currently in force, to provide space for potential further discussions and to give certainty and stability to businesses while any such discussions proceed.

3 As a result of the UK leaving the EU, and to comply with World Trade Organization (WTO) rules, the UK is required to apply import controls on goods arriving in the UK from the EU in a way that is no more favourable than it does on goods arriving from the rest of the world, unless any differences are justified by one of the exceptions to the Most Favoured Nation rule as set out in the WTO treaties. This includes customs checks, including on goods moving under the Common Transit Convention (CTC), and sanitary and phytosanitary (SPS) checks on animals, plants and their products.[1] The EU has been applying full import controls to goods moving from the UK to the EU since 1 January 2021. The UK has adopted a phased approach to introducing import controls, as set out in **Figure 1**.

Figure 1

Timetable for the introduction of import controls in the UK

The UK government has adopted a phased approach to introducing import controls

Control	Most recent revised timetable (announced on 14 September 2021)
Full customs checks for excise and controlled goods, such as alcohol and tobacco.	1 January 2021
Pre-notification for live animals and high-risk plants and plant products, and full import declaration upon entry in the UK required.	1 January 2021
Pre-notification of products of animal origin, low-risk animal by-products not for human consumption, and high-risk food not of animal origin required.	1 January 2022
Customs import declarations required for non-controlled goods from the EU, and the option to use the deferred declarations scheme, including submitting supplementary declarations up to 175 days from the time of import, ends.	1 January 2022
Pre-notification for low-risk plants and plant products required.	1 July 2022
Safety and security declarations for imports required.	1 July 2022
Documentary checks and physical checks on animal products, high-risk food not of animal origin and high-risk plants introduced and will take place at Border Control Posts.	1 July 2022
Checks at Border Control Posts will take place on live animals and low-risk plants and plant products.	1 July 2022

Note

1 The controls brought in from 1 January 2021 are already in operation.

Source: National Audit Office analysis of government data

1 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.

4 The UK government had committed to leaving the EU single market and customs union, regardless of the outcome of its negotiations with the EU on the future relationship. This meant that there would be new requirements for traders moving goods across the border, such as the need to make customs declarations. The agreement of the TCA did not, therefore, have a significant impact on the arrangements that government and third parties had to put in place before the end of the transition period to move goods across the border. It did, however, include elements which would reduce friction on trade between the UK and the EU, in comparison to a no-deal scenario. Most notable of these was the agreement that there should be zero tariffs or quotas on trade between the UK and the EU, where goods meet the relevant rules of origin.

Scope of this report

5 Since the UK's decision to leave the EU in 2016, the National Audit Office has reported five times on the management of the UK border, focusing primarily on the government's preparedness for exiting the EU without a deal. In our last report, *The UK border: preparedness for the end of the transition period*, we highlighted risks relating to government and trader readiness, and in particular, the arrangements required to implement the Northern Ireland Protocol.[2] Since we last reported, the transition period has ended, and the new relationship between the UK and the EU has begun. The purpose of this report is primarily to draw together information on the impact of the new arrangements and on future risks which the government must manage. We have done this by:

- assessing government and third parties' preparedness to manage the GB–EU border after the transition period (Part One);
- setting out the impact of the new border arrangements at the GB–EU border (Part Two);
- reporting on significant future events relating to the management of the GB–EU border, including progress with the phased implementation of full import controls (Part Three); and
- reporting on the implementation of the Northern Ireland Protocol (Part Four).

This report is based on information available up to 22 October 2021.

2 Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019–2021, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/report/the-uk-border-preparedness-for-the-end-of-the-transition-period/

6 Our examination focuses primarily on the movement of goods through ports, including roll-on, roll-off (RORO) ports, where the most change is required. However, we also highlight new requirements for passengers crossing the border. In this report we do not present a comprehensive view of costs, nor do we reach a conclusion on the value for money of government's preparations at the border.[3,4]

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 (Defra); the Home Office; the Department for Transport; the Department for International Trade; and the Border and Protocol Delivery Group (BPDG) and others within the Cabinet Office.

Key findings

Preparedness for the end of the transition period at the GB–EU border

8 The government was largely successful in putting in place its initial operating capability for the border for 1 January 2021. Before the end of the transition period, departments put in place the systems, infrastructure and resources needed to implement its initial model to:

- trade goods between GB and the rest of the world;
- demonstrate that the UK was seeking to comply with WTO rules;
- replace border systems to which the UK had access through the EU; and
- enable traders to move goods under the CTC.[5]

To achieve this, departments prioritised the delivery of only essential elements before 1 January 2021 and introduced a series of easements to provide additional time for government, traders and third parties to prepare for the new arrangements to come. This also required the considerable efforts of civil servants to deliver the changes to a time-pressured, fixed deadline. There were no major systems or process failures, which is a significant achievement given the complexity and scale of the arrangements required (paragraphs 1.6, 1.8 and 1.11 and Figure 4).

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 RORO port.

5 We refer here to an initial operating capability. We referred to a minimum operating capability in our previous reports in the context of no-deal preparations. The government's model for the end of the transition period includes some elements additional to the no-deal preparations, such as limited import controls (for controlled goods such as tobacco and alcohol).

9 **The queues modelled in the government's reasonable worst-case scenario did not materialise.** The government provided support to traders to help them prepare, including webinars and an extensive communications campaign, but readiness of traders for new EU import controls remained one of the most significant risks to the overall operation of the border from 1 January 2021. There were queues in December 2020 when the French border was unexpectedly shut due to COVID-19 restrictions. However, significant queues did not materialise after the end of the transition period. This was likely due to a combination of factors, including some suppression of traffic flows because of stockpiling, traders' wariness about the new controls, and the impact of the pandemic on traffic flow. It is also due to the arrangements which the government put in place to reduce the likelihood of unready trucks reaching the border, primarily the government's Check an HGV service and Kent Access Permit scheme. During January 2021, the percentage of lorries being turned back from the short Channel crossing locations peaked at 8% but, by March 2021, had fallen to 1% as traders and hauliers became more familiar with new border requirements (paragraphs 1.12, 1.13, 1.17, 1.18, 1.20, 1.21, 2.4 and 2.5).

10 **There was some disruption in other parts of the supply chain as the government and traders adjusted to new EU import controls.** Data collected by the government show that the volume of GB inbound and outbound RORO freight services during January 2021 was 76% and 75% of January 2020 levels, respectively. While the pandemic and the stockpiling of goods in the final quarter of 2020 has depressed trade flows, some disruption to trade occurred because traders and hauliers were not ready for EU controls. There were also specific issues which caused disruption to the flow of particular types of goods, such as seafood and other food products, or where there were operational issues which needed resolution. Some of this disruption was not visible at the border but at distribution centres or elsewhere in the supply chain. Departments established arrangements to monitor traffic flow at the border and resolve operational issues where possible. Traders' preparations were hampered by: the late agreement of the TCA; a lack of clarity about the nature of the arrangements they had to put in place, for example in regard to rules of origin requirements; and in the case of smaller businesses, a lack of resource, which was exacerbated by COVID-19 (paragraphs 1.14, 1.19, 2.2, 2.6 and 2.9 to 2.13, and Figures 5, 10 and 11).

The impact of the new border arrangements at the GB–EU border

11 As a result of leaving the EU single market and customs union, businesses face additional burdens, which will increase further as full import controls are phased in. Although the TCA has introduced a zero-tariff regime, there remain additional administrative costs which businesses face. Many of the extra burdens of border controls are not manifested at the border itself but elsewhere in the supply chain. Traders will need to complete additional declarations and face additional checks after full import controls are phased in between October 2021 and July 2022. Between January and August 2021, traders have made around 48 million simplified and full customs declarations on goods movements between GB and the EU and between the UK and the rest of the world.[6] Between January and July 2021, certifying officers have signed off 140,000 Export Health Certificates (EHCs) for the export of goods from GB, of which 116,000 related to the export of goods from GB to the EU.[7] In the longer term the government is developing a programme of work to support its ambition of having the world's most effective border, including developing technology to reduce the administrative burden of moving goods across the border (paragraphs 2.11 to 2.18 and 3.40 to 3.42, and Figures 11 and 12).

12 The UK's trade with the EU fell significantly during the first quarter of 2021 but had partially recovered by the second quarter. When comparing Office for National Statistics (ONS) data for the UK's total trade in goods with the EU (exports plus imports) for Quarter (Q) 4 2020 against Qs 1 and 2 2021 there was a 23% and 13% reduction respectively. The drop in trade in Q1 was partly driven by a 44% fall in exports and a 33% fall in imports in January 2021 when compared with December 2020. As the ONS has noted, it is not possible to disentangle the extent to which these changes related to EU Exit and the effect of the pandemic but the reductions in the UK's trade with the EU are significantly greater than the UK's trade with the rest of the world over the same period. Total trade in goods between the UK and EU was 15% (£17.0 billion) less in Q2 when compared with the equivalent quarter in 2018 (which the ONS uses as a comparator year), whereas UK trade with the rest of the world was up 1.0% (£1.0 billion) (paragraphs 2.2, 2.9, 2.10 and Figure 8).

6 This compares to 44 million during the whole of 2020.
7 A certifying officer is a representative of a veterinary business or local authority who is authorised to issue Export Health Certificates.

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13 The food and fishing industries have been particularly affected because of higher export costs and limited preparation for new checks. Although large declines in exports were seen across all commodities of goods in January 2021 exports of food and live animals suffered the greatest decline, falling 73% on the previous month. Although exports of food and live animals recovered through the first half of 2021, representatives of these industries report the following issues have made exporting these products more time consuming and expensive:

- The extended UK exporting process and EU importing process, which can take more than 20 separate steps now, rather than two before.
- Problems with the groupage process by which smaller traders share heavy goods vehicles (HGVs).
- The cost of EHCs.

Smaller businesses, with fewer resources available, have also been particularly affected (paragraphs 2.13 to 2.15, Figures 10 and 11).

14 The government responded to provide financial support schemes for some sectors but did not have a strategic plan for its interventions prior to the end of the transition period. To date the UK government has spent £113 million to support businesses affected by the new controls. This is made up of: £84 million to support the expansion of the customs intermediary sector; £6.7 million to support small and medium-sized enterprises (SMEs) dealing with new controls; and £22 million on a Seafood Disruption Support Scheme set up at short notice after the end of the transition period. The government did not establish in advance of the transition period: which industry sectors might be most affected and likely to need support; options for how it could support them financially and for how long; or the process by which this support could be provided. The government considered that it was more appropriate to track which businesses were facing difficulties and then respond in those exceptional cases where it considered there was a market failure which required government intervention. The financial support it has provided has helped some businesses, but exporters of food and plants still face considerable extra costs, and business representatives have criticised some of the eligibility criteria for the schemes and the length of time for which they ran. Smaller businesses were unable to access the SME fund if they had undertaken any previous business activity with the rest of the world. Only £8.5 million of the £20 million available had been applied for by the time the SME fund closed at the end of June 2021 (paragraphs 2.19 to 2.22).

Significant future events relating to the management of the GB–EU border

15 **The government would have been in a position to implement import controls by January 2022, but might have had to deploy contingency plans in some areas.** The UK government originally intended to introduce full import controls on 1 January 2021 but has since delayed this three times, most recently in September 2021, with most controls now being introduced between 1 January and 1 July 2022.[8] BPDG told us that Accounting Officers of all the relevant UK government departments met at the start of September 2021 to review the state of readiness and agreed that, individually and collectively, they would have been ready to implement the new controls for January 2022. Our analysis shows that most of the systems, infrastructure and resources needed for January 2022 were on track but there were elements of delivery which were at risk and where departments might have had to deploy contingency plans. For example, there was a risk that, for a small number of the 41 ports at which the UK government is funding new infrastructure, facilities might not have been completed to full specification by that date. BPDG was working with ports where delivery confidence was low to agree alternative plans (paragraphs 3.2, 3.3, 3.9, 3.19 to 3.21, Figure 12 and Figure 13).

16 **There is still uncertainty regarding elements of the government's infrastructure programme.** New infrastructure is needed for a range of purposes, including compliance checks relating to customs procedures and the movement of animals, plants and their products. In total, the UK government has funded £200 million of new infrastructure at ports through the Port Infrastructure Fund (PIF) and has also allocated £270 million on purchasing and building new infrastructure at inland sites. Several elements of the government's infrastructure programme remain uncertain, in part because of challenges in forecasting the amount and type of capacity required. Factors which affect the capacity required include:

- wide ranges in forecasts of numbers of hauliers that might transport goods under the CTC and require appropriate facilities, and those who might choose to become Authorised Consignors or Consignees and therefore use their own premises;[9]
- uncertainty regarding the volumes of animals, plants and their products which might require checking; and
- difficulty in forecasting the impact of border changes and arrangements relating to the Northern Ireland Protocol on trader behaviour and choice of routes.

8 Prior to the September 2021 announcement of a revised timetable, all controls, except for checks on live animals and low-risk plants and plant products at Border Control Posts, were due to be introduced by 1 January 2022 (see Figure 12).
9 Authorised Consignor and Consignee status allow traders to declare goods at their premises rather than at an Office of Departure and to end movements at their premises rather than at an Office of Destination.

Ports will bear the operating costs of running their own sites and the government is yet to announce a charging policy for the use of the government-funded inland facilities. Port representatives, such as the UK Major Ports Group, told us that they were very concerned that this work was yet to be finalised and that the government had introduced late changes to the specifications for new infrastructure, which had added additional time and cost to ports' preparations. The devolved administrations told us that development of the new infrastructure required has been hampered by issues including policy and funding uncertainty, and difficulty locating appropriate sites (paragraphs 3.13 to 3.21).

17 Trader and haulier readiness remain significant risks despite the further delay in introducing import controls. When import controls are introduced, traders and hauliers will need to comply with new requirements. It will be a significant challenge for the UK government and EU member states to make sure businesses across 27 countries understand what they need to do and when. Departments are drawing on their experience preparing for the end of the transition period, for example, by undertaking more targeted work with specific groups in the EU. This includes setting up information and advice sites for hauliers at GB-facing ports and on key ferry routes, as well as working with EU member states to target specific groups through trade associations. However, as at August 2021, BPDG reported the risk relating to trader and haulier readiness for January 2022 as amber-red. If traders and hauliers had not been ready for when government planned to introduce new import controls in January 2022, this could have reduced the flow and availability of food and other products to the UK. The government's decision to delay import controls for a third time relieves some of the immediate pressure on businesses, particularly in the agri-food sector, but departments will continue to face significant challenges to ensure traders and hauliers are ready (paragraphs 3.26, 3.29, 3.30 and 3.33).

18 There are ongoing risks in not having a full import control regime in place. In February 2020, the UK government committed to putting in place a full import control regime by the end of the transition period. The EU has been operating such a regime since 1 January 2021 but, on the latest timetable, the UK will not have this in place until July 2022. This means a continued disadvantage for UK exporters compared with EU exporters. The government's decisions to delay are likely to have reduced the pressure on traders and hauliers, but the changing timetable and ongoing uncertainty also has an effect on their readiness. Repeated delays to putting in place an effective border regime also leaves the UK open to potential challenge that it is not complying with international trading rules, and more likely that gaps in border controls could be exploited. In addition, they also delay the UK's ability to collect new data on the movement of goods across its border and use these to improve its compliance regime to effectively target risk (paragraphs 1.6, 1.7, 3.5, 3.34 and 3.38).

The implementation of the Northern Ireland Protocol

19 The Northern Ireland Protocol came into operation from 1 January 2021, with grace periods delaying the requirements for some checks and preparations. In November 2020, we reported that implementing the Protocol was 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. On 8 December 2020, the UK and the EU reached an agreement on implementing the Protocol, which included an agreement to temporary 'grace periods' on some of the more challenging aspects of the arrangements, such as checks on the movement of food to supermarkets, which were delayed for three months until 1 April. The subsequent agreement of the TCA on 24 December 2020 removed some further elements of complexity, reducing the number of goods subject to tariffs when moving from GB into Northern Ireland. However, many new systems and procedures, such as customs declarations on the goods moving from GB to Northern Ireland, were introduced from 1 January 2021 (paragraphs 4.1, 4.3 to 4.6, and Figures 17 and 19).

20 The customs arrangements required from 1 January 2021 were introduced, but not all the required checks on animals, plants and their products were undertaken. HMRC modified existing systems (such as the Customs Declaration Service) and introduced new ones (such as the Goods Vehicle Movement Service (GVMS)) to operate the Protocol from 1 January. It also successfully put in place, at short notice, the Trader Support Service (TSS), forecast to cost around £360 million between 2020 and 2022, which has facilitated the movement of around 1.2 million consignments between GB and Northern Ireland between January and September 2021. Defra also put in place the Movement Assistance Scheme to reimburse traders for some of the certification costs associated with moving animals, plants and related products from GB to Northern Ireland under the Protocol. The Northern Ireland Department for Agriculture, Environment and Rural Affairs (DAERA) is responsible for putting in place the systems, infrastructure and resources to undertake SPS checks in Northern Ireland. Since 1 January 2021, DAERA has been undertaking SPS checks on animals, plants and their products which are not covered by the grace periods, for example, in relation to food which is not covered by the supermarket exemption. However, in select committee evidence in April 2021, DAERA stated it had not been undertaking the volume of physical checks required under the Protocol because it did not have sufficient staff or facilities (paragraphs 4.3 to 4.9, 4.11, 4.12, 4.15 and Figure 19).[10]

10 Northern Ireland Assembly Committee for Agriculture, Environment and Rural Affairs, *Withdrawal of DAERA and Local Authority Staff from Ports*, Official Report (Hansard), 15 April 2021, p18. Available at: http://data.niassembly.gov.uk/HansardXml/committee-25892.pdf

21 **There is considerable uncertainty about the future arrangements that the UK government and the Northern Ireland Executive will need to put into place regarding the Protocol.** There is not yet a complete picture of the impact of the Protocol on trade between GB and Northern Ireland but there are indications of changes to trade flows and disruption to business since 1 January 2021. Under the implementation terms of the Protocol agreed with the EU in December 2020 the volume of SPS checks required on animals, plants and their products arriving in Northern Ireland, including food moving to supermarkets, will significantly increase once the grace periods expire. In March 2021 the UK government took the unilateral decision to extend the grace periods, originally until 1 October 2021, and the EU subsequently launched legal action against the UK. Subsequently, in July 2021, the UK published a Command Paper setting out a proposed new approach to the Protocol, which included a scheme whereby all goods destined to remain in the Northern Ireland market would not attract a tariff charge, be subject to customs or SPS declarations, or to checks on their arrival from GB. The UK government explained its proposed new approach was because: the current operation of the Protocol had imposed extensive burdens on businesses moving goods into Northern Ireland; that these burdens would only grow as time went on, imposing extra costs and potentially unsustainable challenges for authorities and for businesses; and that it had resulted in a diversion of trade. In September 2021, the UK announced that it would continue to operate the Protocol on the current basis, including the grace periods and easements currently in force. On 13 October 2021, the EU proposed bespoke arrangements for the operation of the Protocol. The UK and EU remain in negotiations over changes to the Protocol and the operational implications of any changes are still to be determined. The UK government intends to continue to operate the Protocol on the current basis while talks between the UK and the EU are ongoing (paragraphs 4.3, 4.17 and Figures 16 and 17).

Concluding remarks

22 The government, departments and third parties all faced a very challenging set of circumstances at the end of the transition period. It is a significant achievement that collectively, they delivered the initial operating capability needed at the GB–EU border. However, this capability was achieved in part using temporary measures such as delaying imposing import controls, putting in place easements and providing direct financial support to businesses to help them continue to trade. The government has set its own timetable for phasing in import controls, and has revised this three times, prioritising flow over compliance. However, this cannot go on indefinitely. The current overall operating model for the EU–GB border is not sustainable, and much more work is needed to put in place a stable operating model that eliminates any risk of WTO challenge from trading partners, does not require any temporary supports, and has clarity and ease of use for border users. In the immediate term, the government and departments should focus on the following areas:

- Use the additional time from its revised timetable for introducing import controls to: address current risks, particularly relating to infrastructure and trader and haulier readiness; and provide the focused and detailed support and guidance that ports, hauliers, traders and passengers need to allow them to adapt to the new rules when these are introduced.
- Continue to monitor and understand the impact of new border arrangements on trade flows, industry sectors and the wider UK economy. This should inform a strategic approach to the withdrawal of existing support and the introduction of any further intervention or support.
- Prioritise efforts to streamline border processes and reduce the administrative burden on traders.
- Progress from an initial operating capability for the border, to one of full functionality, which is safe and secure, can facilitate trade and reduces the risk of non-compliance with WTO rules. This is of particular importance given the UK government's desire to agree trade deals with a wide range of international partners.

23 Regarding Northern Ireland, the situation is inherently very challenging both operationally and politically. The arrangements that the UK government put in place to help facilitate trade into Northern Ireland from GB have been of value. However, it is very unlikely that all the systems, infrastructure and resources could have been put in place to implement the Protocol, as originally agreed in principle with the EU in December 2020, when grace periods were due to expire on 1 October 2021. The UK government's position is that the ending of the grace periods would impose potentially unsustainable challenges for authorities and businesses. In September 2021 it announced that it intends to continue operating the Protocol on the current basis, to allow time for further discussion with the EU. It is critical that UK government departments and devolved Northern Ireland departments deliver quickly on any agreement reached between the UK and the EU and put in place the systems, infrastructure and resources required to make it work.