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Seventh Report of Session 2017-19: Brexit and the UK Border

We are writing to provide an update on the evidence that the Committee requested in recommendations 1 and 3 of its Seventh Report of Session 2017-19: Brexit and the UK Border.

Conclusion 1

The Border Planning Group's assumption that the risks to border activity will remain unchanged immediately post-Brexit is a risky approach. The Border Planning Group (the Group) currently assumes that there will be no additional border risks from freight or passengers when the UK leaves the EU. This is based on the assumption that cross-border trade and travel will not change immediately in the days after we leave the EU. We find this extremely worrying for a number of reasons. HM Revenue & Customs (HMRC) estimates that customs declarations could increase five-fold to 250 million each year and is currently implementing a new Customs Declaration Service to handle them—we have reported separately on the risk of the new service not being in place on time and with traders not knowing how to use it. We also know that the UK will be looking to negotiate new trade deals after leaving the EU, which could change the current balance of trade between EU and other countries. We do not yet know whether there will be additional entry requirements for European Economic Area (EEA) nationals, which could bring additional risks. Nor do we know whether negotiations with the EU will increase revenue risks, for example through changes to tariff rates. In addition, if we leave the EU with no deal in place, government departments could lose access to certain information flows from EU data sharing agreements that provide important data and intelligence to manage border risks. Finally, user behaviour also affects the level of border risk. For example, we have been told that many international trade businesses fail to take customs compliance seriously and therefore the risk of non-compliance could increase if more traders are required to comply with customs requirements. We are surprised, therefore, to hear that engagement with traders has not yet started. In light of the huge number of variables, we are concerned about the robustness of the Group's assumptions, including how regularly they will need to be updated to ensure they remain fit for purpose.

Recommendation 1: By March 2018 the Border Planning Group should provide evidence to us that its assumptions on border risks are realistic, take account of the possibility that stakeholders might change their behaviours, and are regularly reviewed.

1. We are making the following assumption for scenario planning purposes:

- The volumes of trade and traffic do not instantly increase as a result of EU exit.

We have examined activities which occur at the border and identified three main areas by reference to volume and impact on people movement, goods movement (customs) and agriculture and food.

People movement

2. In relation to people movement, Border Force already conducts 100% checks on people entering the UK on scheduled services, together with risked-based intelligence-led interventions at smaller ports and airfields. This approach will be maintained in the period up to and following EU exit.
3. The Government has been clear that it intends to maintain the Common Travel Area, protecting the ability to move freely between the UK, Ireland and the Crown Dependencies. The December Joint Report includes recognition from the EU that the CTA arrangements with Ireland are protected after the UK has left the EU. Importantly, this protects the existing high level of collaboration with all CTA members to strengthen the external CTA border, supported by intelligence-led activity on journeys between CTA members, to tackle abuse. We will continue to work closely with Ireland and the Crown Dependencies as part of the CTA on our shared objectives to protect these arrangements and secure this travel area.
4. We are confident that continued, practical cooperation between the UK and EU on security, law enforcement and criminal justice is in the interests of both sides. We do not want or expect a no deal outcome. However, the Government is preparing for all potential outcomes.

Goods

5. The Government has said that we will leave the Customs Union and therefore new customs arrangements will operate. The Government set out its policy position in the summer of 2017. Whilst the Government expects to reach an agreement with the EU, in a no deal scenario, customs, and safety and security, declarations, will be needed for goods

moving between the UK and the EU. It is in this scenario that we estimate an additional 200m customs declarations will be required for EU goods in addition to the current 55m for goods from the Rest of the World. HMRC will have the system necessary to handle the increase in declarations: the Customs Declaration Service (CDS). The CDS system remains on track to be in place in time with piloting beginning this summer.

6. Some businesses which currently trade only with the EU will be required to handle customs declarations and safety and security declarations for the first time. HMRC estimates that there are at least 138,000 businesses trading only with the EU, the majority of which are SMEs for whom customs processes will be new. HMRC have a good understanding of the businesses affected and are developing communications plans for ensuring businesses will be ready for any scenario. The matter of when to communicate to this group is intrinsically linked to the agreement of a transition period.
7. HMRC continue to consider the implications for monitoring compliance with customs requirements. We have examined which ports and other border locations are most affected by customs requirements by reference to (a) the volumes of EU trade handled, (b) the type of traffic (mode of goods flow), and (c) whether the location already handles customs compliance activity in relation to Rest of the World traffic.
8. Airports and container ports which already handle Rest of the World traffic have existing systems and infrastructure in place, so implementing customs processes and controls for EU goods is a change for them but not a major risk for Day 1.
9. HMRC continues to work with 'Roll on/Roll off' ports and the Eurotunnel terminals, where existing systems and infrastructure for dealing with customs processes are limited. In these locations, customs enforcement will happen in such a way as to avoid delays and jams, for example by undertaking checks away from the border. We are working through the arrangements and details with the relevant locations.

Agriculture and food products

10. Following our exit from the European Union, the UK will need to apply controls to protect UK biosecurity and food safety. The UK imports around £30 billion of animals, plants and food from the EU each year, and around 30% of the food currently consumed in the UK is sourced from the EU. The UK already has in place an effective system for managing biosecurity and food safety risks, including a range of controls on some imports to the UK, and this will continue to be the case after EU exit. Imports from the EU are required to

meet common EU standards, and the biosecurity and food safety risks posed by these imports will not significantly change immediately following EU exit. The Government is reviewing the specific areas where the risk posed by these imports could change, both immediately following EU exit and over time, and the measures that should be put in place to address this. The Government is also working to ensure that the information and systems are in place to continue to manage biosecurity and food safety risks after EU exit.

11. We have established dedicated groups in which HM Government departments discuss these arrangements, confidentially, with port and airport operators, logistics providers, hauliers and software providers. We are working through the impacts of these arrangements so we can collectively plan for any necessary changes to enable agreed processing of imports at the border.
12. Where EU Member States apply, at their ports, control processes to UK exports this can have an impact on trade fluidity. We are working through contingency plans. The Government is seeking an arrangement which maintains trade fluidity at the border.

Review

13. Government departments regularly monitor and update their plans for Day 1 in cross-government forums and with ministerial groups. There is also on-going work in departmental run forums and groups to test assumptions, refine data and figures used for our planning, and to assure that planning approaches are correct. There is also a dedicated team led by the Director General for Border Delivery, which we are expanding, that supports the work of the Border Planning Group, in monitoring and managing risks.

Conclusion 3

In the lead up to Brexit, we are not convinced that government departments have put in place the necessary clear leadership and accountability for effective border management, or are showing enough urgency. The Group was set up in March 2017 to provide strategic oversight of government departments' plans to manage the impact on the border of withdrawing from the EU. The Group is a forum for departments to share their border strategies, plans and objectives and ensure their systems, designs and funding requests are aligned. The Group contains representatives from 21 departments and agencies, but no single person or department has overall accountability for managing the border. We are extremely concerned to hear that this crucial group has only met seven times in the eighteen months since the EU referendum. Some incredibly important issues have not yet even been considered by the Group; for example arrangements for the 300 crossing points across the land border in Ireland are currently outside the scope of the Group.

Recommendation 3: *By March 2018 the Border Planning Group should report back to us with a summary of the activities it is carrying out, the programmes it is overseeing and the risks it is managing. We also expect someone to be put in charge and accept lead responsibility for co-ordinating the work of the Group.*

14. A review of the work of the Border Planning Group and the governance arrangements for the work it is overseeing has been conducted by the Infrastructure and Projects Authority. As a result:

- A new ministerial group is being established with accountability for ensuring new border arrangements are implemented effectively.
- The Director General for Border Delivery has been given an increased mandate and accountability for oversight and assurance of the development and implementation of plans to implement border arrangements.

15. The Border Planning Group has already:

- Assessed/identified all border activity which is impacted, and confirmed new arrangements needed for EU exit, so we can understand the collective impact at all border locations.
- Assessed which border locations are most affected, and how.
- Established working, confidential, arrangements to share with those locations how to plan for the new arrangements i.e. changes to, or new, controls.
- Agreed and confirmed resourcing requirements with HM Treasury to allow HM Government to prepare for border arrangements. The two biggest areas are Border Force and HMRC resource requirements. Resourcing plans are developed and being taken forward.
- Assessed and monitoring all IT and database system changes and developments (85 have been identified as potentially impacted by exit) and assuring the developments are on track and delivered.
- Established a programme of work, across government, to plan for additional infrastructure which may be needed for controls and processes at key locations.
- Developed an overall plan for what needs to be decided and implemented by when to ensure the border operates effectively post exit.

And is:

- Developing a communications plan for engaging with businesses to ensure they are adequately prepared for customs and other arrangements which will affect border operations.

- Developing contingency plans and arrangements in the event that EU Member States introduce controls which cause blockages in UK ports.

16. The Border Planning Group will have a strengthened mandate to deliver the end to end plan, to assure all Departments are on track with their plans; and to escalate issues that need ministerial attention.

END