



Rt. Hon. Andrew Tyrie MP  
Chair, Treasury Committee  
House of Commons  
Committee Office  
14 Tothill Street  
London  
SW1H 9NB

19<sup>th</sup> April 2017

Dear Mr Tyrie,

### **Customs Declaration Service**

Thank you for your letter of 30 March about the Customs Declaration Service project, and its readiness for our exit from the European Union. I have been asked to respond to your letter by the Financial Secretary, as she is the minister responsible for the tax system.

You asked for a copy of the last assurance review report. The government set out its policy on releasing information about the delivery of projects in 2013 in its transparency policy on the Government's Major Projects Portfolio, which I have attached to this letter. It sets out that there is a presumption in favour of publication of information and genuine transparency, but this must be balanced against the public's interest in maintaining the integrity of the assurance regime.

Specifically, it sets out that the Infrastructure and Projects Authority (IPA), or our predecessor organisation, should publish the RAG rating of projects, financial information, timetable information together with departments' actions taken or planned to address issues and risks, annually six months in arrears.

I can confirm the Customs Declaration Service project was judged to be 'amber-red' status in 2015/16 IPA annual report. This is the only RAG rating the IPA has publicly confirmed. I have attached the full information provided on the CDS project at the time of the last annual report. As we have done since 2013, the Infrastructure and Projects Authority will publish the next annual report in late June or early July, which will set out the delivery confidence 'RAG' rating and other information for this project.

The rating referred to in the Joint Customs Consultative Committee Minutes (November 2016) did not represent the IPA's RAG rating that we publish annually. I understand from HMRC that the statement in Annexe D to the minutes of the Joint Consultative Committee meeting is a reference to a specific aspect of the programme, not the programme as a whole.

It may be useful if I explain why we do not publish assurance reviews in full. To be most effective, reports must be based on candid interviews, with full and frank disclosure from project teams and other stakeholders. Publication, or fear of publication, would almost certainly hamper this

disclosure of actual or potential challenges the project faces. Overall, we believe that this strikes the right balance, and is in the public interest.

With regards to your request for the IPA to carry out a delivery confidence assessment, I can confirm that the next review that is due to be carried out is a 'health check' in late June. The purpose of the review is to monitor progress against the recommendations made in the last review and to check that the programme remains on track. This will be followed by a fuller review in the autumn of 2017. The terms of reference for this review will be agreed shortly between the Treasury, the IPA, and HMRC, and we will carefully consider including your concerns in its 'lines of enquiry'.

Thank you for raising these concerns with me. I hope that the information I have provided answers your questions, even if I have not been able to provide it to you in form you requested.

Yours sincerely,

Tony Meggs  
Chief Executive, Infrastructure and Projects Authority

**Annex B: Extract from the Government Major Projects Portfolio data, September 2015**

<https://www.gov.uk/government/publications/infrastructure-and-projects-authority-annual-report-2016>

<b>Project Name</b>
CUSTOMS DECLARATION SERVICES (CDS) Programme
<b>Department</b>
HMRC
<b>IPA RAG rating</b> <b>(A Delivery Confidence Assessment of the project at a fixed point in time, using a five-point scale, Red – Amber/Red – Amber – Amber/Green – Green; definitions in the IPA Annual Report)</b>
Amber/Red
<b>Departmental commentary on actions planned or taken on the IPA RAG rating.</b>
<p>HMRC is responsible for delivering an end to end declaration processing service for imports to and exports from the UK. The current service delivery system is the Customs Handling of Import and Export Freight service (CHIEF). Each year this business critical service handles c.50 million declarations and accounts for £34bn revenue, set in a context of an international trade supply chain that is worth £700bn p.a. to the UK economy. This is a business critical declaration processing system handling movements of 3rd country (non-EU) goods. CHIEF operates real time, 24 hours per day, 365 days of the year. The current CHIEF system is more than 23 years old and based on aging Virtual Machine Environment (VME) technology. The service has reached a point where any changes (including EU legislative) will be both expensive and technically very difficult to implement. HMRC are seeking to replace CHIEF with a robust, scalable and extensible set of import /export services, capable of delivering this critical function into the future.</p> <p>Customs Declaration Services programme (CDS) is on course for successful delivery subject to continued management of key risks around: keeping to agreed CDS timelines - including successfully procuring and integrating two commercial-off-the-shelf software packages in 2016; and continuing to secure the full range of resources and expertise required from within HMRC, wider government and UK Trade. Progress has been made on developing the programme level End-to-End Delivery Plan, including the integration of components through 2016 and in driving the development of a comprehensive CDS Resource Plan to support delivery.</p> <p>Although CDS scored an MPA RAG Rating (and delivery confidence assessment) of 'Amber/Red' at 30 June 2015, this has subsequently improved and was recognised by an MPA Gateway 0 assurance review in July 2015 which provided CDS with a delivery confidence assessment of 'Amber'.</p>
<b>Project - Start Date</b> <b>(Latest approved start date)</b>
16/10/13
<b>Project - End Date</b> <b>(Latest approved end date)</b>
31/12/18
<b>Departmental narrative on schedule, including any deviation from planned schedule (if necessary)</b>
Data not Provided
<b>2015/16 Budget (£million)</b>
£21.94

<b>2015/16 Forecast (£million)</b>
£18.98
<b>Variance Budget / Forecast %age</b>
-13.51%
<b>Total budgeted whole life costs (£million) (including Non-government costs)</b>
£71.16
<b>Departmental Narrative on Budget / Forecast variance for 2015/16 where more than +/- 5%</b>
The Budget figures in the Q2 Report are from SOC v1.7 (Feb 2015), being the latest approved business case at the snapshot point. However, by the time the Q2 report was created an OBC had been produced reflecting the change from IT development entirely in-house to a mixed approach including IT procurement with licence costs falling in both 2015/16 & 2016/17. The reported 15/16 forecast figures align to the updated view reflected in the OBC.
<b>Departmental Narrative on Budgeted Whole Life Costs</b>
Data not Provided