Thirty-Sixth Report of Session 2021-22

Cabinet Office, HM Revenue & Customs, the Department for Transport and the Department for Environment, Food and Rural Affairs

EU Exit: UK Border

Introduction from the Committee

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 (known as the Northern Ireland 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. On 31 December 2020, the transition period ended, and the Northern Ireland Protocol came into effect with grace periods delaying the requirement for some checks and preparations.

As a result of the UK government's decision to leave the EU single market and customs union, there are new requirements for moving goods across the border. Some of these came into effect at the end of the transition period and others are due to be phased in during 2022. There have also been some new requirements for passengers. Making the changes necessary to manage the border after the end of the transition period has been the responsibility of several departments including the Cabinet Office; the Department for Environment, Food and Rural Affairs (Defra); HM Revenue & Customs (HMRC); the Home Office; and the Department for Transport (DfT). It has also required significant engagement from stakeholders outside government including the border industry, traders, hauliers, and their representatives.

Based on a report by the National Audit Office, the Committee took evidence on 24 November 2021 from the Cabinet Office, HM Revenue & Customs, the Department for Environment, Food and Rural Affairs and the Department for Transport. The Committee published its report on 9 February 2022. This is the government's response to the Committee's report.

Relevant reports

- NAO report: The UK border: Post UK-EU transition period – Session 2021-22 (HC 736)
- PAC report: EU Exit: UK Border – Session 2021-22 (HC 746)

Government response to the Committee

1: PAC conclusion: The new border arrangements have yet to be tested with normal passenger volumes and may be further challenged when the EU introduces requirements for biometric passport checks.

1: PAC recommendation: Government must set out its scenario planning and modelling for passenger volumes in 2022 and clarify how it will manage the increased pressures and any contingencies that may be required, including those relating to new EU Entry and Exit System requirements at juxtaposed controls. Government should write to the Committee, within six months, to provide an update on its scenario planning and whether its 2022 modelling has proved accurate, with particular emphasis on HGV drivers.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2022

1.2 The government creates short-term demand scenarios to inform operational planning. Longer-term modelling and forecasting are subject to significant uncertainty and is unsuitable for operational purposes. Analysis for the summer is being undertaken to inform decision making and contingency planning. As the anticipated peak 2022 period draws near, specific summer scenarios will be developed. Given commercial sensitivities these forecasts would not be published. The government will write to the Committee in Autumn 2022 on this issue.

1.3 The implementation of the EU Entry and Exit System (EES) is the responsibility of France but does pose specific challenges for ports operating juxtaposed controls. In terms of contingency planning, the government continues to engage with France, alongside ports and carriers, to ensure respective border arrangements work as well as possible. Cross-government engagement with France is underway and focused on developing a fuller understanding of France's plans for delivery and implementing the EU EES in a way which minimises any impact on throughput at the juxtaposed controls. Should any disruption occur the Kent Resilience Forum has well-developed traffic management and traveller welfare plans ready to deploy, and the government will continue to engage with them on these plans.

2: PAC conclusion: The new controls in place over the movement of goods from the UK to the EU have created additional costs for businesses and affected international trade flows.

2: PAC recommendation: To minimise the costs to business as far as possible, government should:

i) undertake a comprehensive exercise to identify and quantify the additional costs the business community and border stakeholders face as a result of new border requirements; and

ii) identify opportunities to reduce costs and administrative burden to traders. Government should set out what progress it has made on these points in its Treasury Minute Response.

2.1 The government agrees with the Committee's recommendation.

Recommendation implemented

2.2 The government adopts an evidence-based approach to policy making and will continue to do so. With 2021 being a non-typical year of trading because of the pandemic and customs controls introduced in stages to support business recovery, the government does not have the data at this stage to update the October 2019 Impact Assessment, which set out the anticipated administrative burden for additional customs declarations which resulted from EU Exit. The government intends, in due course, to produce an updated estimate when it is able to collect more stable trade data that has less interference with the COVID-19 pandemic and global supply chain issues, which will set out our revised assessment of business impact.

2.3 The government set out in its 2025 UK Border Strategy six key transformations - all designed to contribute to a reduction in costs and administrative burdens for all border users. The greatest impact on administrative burden will come from enhancing the government's collection, assurance and use of border data, enabling upstream compliance to move processes away from the frontier, and making border documentation digital by default.

2.4 Work to develop the UK Single Trade Window, which will create a single digital gateway for traders into UK border systems, is underway. The first functionality has been released and discussions on further features are underway with stakeholders. The government is also reviewing the presence at the border with the aim to understand how it can best deliver goods checks to improve the speed and ensure traders experience a coherent and joined-up government presence. The government has also established a long-term policy call for evidence on the UK's customs regime – this is currently live (due to close on 2 May 2022) and welcomes views on how the UK's customs system can be improved by simplifying processes for traders and embracing innovation.

3: PAC conclusion: More could be done by Government to ensure small and medium sized enterprises (SMEs) are prepared to face the additional costs and administration required by new border requirements.

3: PAC recommendation: In its Treasury Minute response, Government should identify what issues businesses are facing in relation to the new border requirements and in particular determine how they can provide SMEs with additional support, both through existing mechanisms, including customs intermediaries, and new methods of targeted support. Government should write to the Committee, within six months, to provide an update on what measures have been taken to support SMEs.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2022

3.2 Some small and medium sized enterprises (SMEs) have been disproportionately impacted by new border requirements for both imports and exports. SMEs have also raised concerns about the challenge of remaining aware of changing import requirements. In response to this, the government continues to support industry and business in implementing the changes and providing extensive support to adjust to the changes in their customs obligations. Looking to the future, the UK Single Trade Window will put particular emphasis on making it easier for SMEs to begin trading and to do so simply. This will build on support already provided.

3.3 In 2021, the SME Brexit Support Fund offered up to £2,000 per business to help support them with adjustments around customs and VAT rules. In 2022, the government is building on existing mechanisms, with extensive guidance published on GOV.UK, including an intermediary register with a list of over 1,500 intermediaries broken down by client capacity and services offered.

3.4 In 2021, the government, led by Department for International Trade, launched the Export Support Service where UK businesses can get answers to practical questions about exporting to Europe by accessing cross government information and support in one place. The new service brings together well-established government support and helps SMEs navigate existing sources of information. It sits alongside the government's wider package of support for exporters, helping UK businesses export with more confidence. The government will continue to work with businesses and business representative groups from all sectors, in all parts of the UK, to help make the service as useful as possible for businesses at every stage of their exporting journey.

4: PAC conclusion: Government intends to introduce full import controls in phases from January 2022, but much work remains to be done.

4: PAC recommendation: Alongside the Treasury Minute, Government should write to the Committee setting out what it has delivered so far and its plans for ensuring that it delivers:

i) key systems requirements, including links between systems such as IPAFFS and GVMS;

ii) staff and infrastructure requirements; and

iii) clarity to ports on the charging regime at government-owned inland sites and the volume of checks that it expects to undertake on goods moving through ports.

4.1 The government agrees with the Committee's recommendation.

Recommendation implemented

4.2 Alongside this Treasury Minute, the government has sent a separate letter from the Cabinet Office setting out the further information as requested by the Committee.

5: PAC conclusion: There is more to be done to ensure that traders and hauliers across the 27 EU countries are prepared for UK import controls.

5: PAC recommendation: In its Treasury Minute response, Government should set out departments' assessment of EU trader and haulier readiness, to determine whether any intervention by either itself or the EU may be required; and set out any plans for additional support.

5.1 The government agrees with the Committee's recommendation.

Recommendation implemented

5.2 The government has dedicated significant resources to helping EU traders get ready for import controls and will be announcing further engagements soon. Since April 2021, the government has delivered more than 70 successful events including roundtables, webinar events and bilateral technical discussions with EU member states to support trader readiness.

5.3 Ongoing work to improve EU processes and readiness of businesses in the EU. Targeted meetings with EU member states and embassy posts are structured to enable feedback identifying key issues to address. To raise awareness and understanding across EU businesses, the government has put in place an extensive programme of translated webinars and communications assets are being made available for dissemination through EU member state channels. These include decision trees, checklists, case studies and animations tailored and translated for specific member states. Technical engagement meetings continue to provide more specific guidance.

6: PAC conclusion: Government's arrangements for goods arriving from the EU is untested and could be exploited, increasing regulatory and fiscal risks.

6: PAC recommendation: Alongside its Treasury Minute response, Government should provide the committee with its assessment of the fiscal and regulatory risks for imports from EU-GB and set out how it will minimise any potential gaps in the temporary arrangements it intends to operate until all its planned permanent infrastructure is in place.

6.1 The government agrees with the Committee's recommendation.

Recommendation implemented

6.2 Alongside this Treasury Minute, the government has sent a separate letter from HMRC setting out further information as requested by the Committee.

7: PAC conclusion: Government's ambition for the UK to have the "world's most effective border by 2025" relies on cross-government digital programmes, in which it does not have a good track record.

7: PAC recommendation: Government should write to the Committee, within six months, setting out the timetable for its planned programme of work to create the world's most effective border by 2025, and the key risks it will need to manage in taking this forward.

7.1 The government agrees with the Committee's recommendation.

Target implementation date: October 2022

7.2 Delivery of the 2025 Border Strategy is well underway, and programmes and pilots will deliver tangible benefits to UK businesses over this year. The 2021 Spending Review committed to spend over £1 billion over the coming years on border transformation. Now long-term budgets for the major transformative programmes across government and industry have been confirmed, the government will work with industry to create a full transformation roadmap.

7.3 The Cabinet Office has worked with the Infrastructure and Projects Authority to design and implement cross-departmental governance structures that ensure strategy, design, delivery and performance are fully integrated across the border's portfolio. This new governance structure has been proved effective over the past year as the government implemented import controls for goods being imported from the EU to the UK and will ensure delivery of the strategy continues to be coordinated effectively.

7.4 The government will continue to use best practice to manage delivery risks for major border transformation projects, for example, the UK Single Trade Window is part of the Government Major Projects Portfolio.

7.5 The government will write to the Committee by October 2022 to provide an update on this work and share the roadmap it has developed for transformation of the UK border.

8: PAC conclusion: Businesses have faced challenges operating under the Northern Ireland Protocol which need to be resolved.

8: PAC recommendation: Government should continue its efforts to resolve the challenges of the Protocol and ensure that departments are ready to put any negotiated outcome into operation, and that it has prepared for any contingencies which may be required if an agreement cannot be reached between the UK and the EU. Alongside the Treasury Minute, it should write to the Committee to update on the state of negotiations and the operational implications.

8.1 The government agrees with the Committee’s recommendation.

Recommendation implemented

8.2 The government has been in intensive talks with the EU since October 2021 to resolve the challenges with the Northern Ireland Protocol, though remain some distance apart in reaching a negotiated outcome. The government continues to work to prepare for whatever outcome is reached. Ministers will continue to update Parliament on progress, including appearances in front of Select Committees where appropriate.