



House of Commons
Committee on the Future
Relationship with the European
Union

**Preparing for the end
of the Transition Period,
and The UK-EU future
relationship: the Trade and
Cooperation Agreement:
Government Response to
the Committee's Third and
Fourth Reports**

**Second Special Report of Session
2019–21**

*Ordered by the House of Commons
to be printed 15 January 2021*

HC 1159
Published on 20 January 2021
by authority of the House of Commons

Committee on the Future Relationship with the European Union

The Committee on the Future Relationship with the European Union is appointed by the House of Commons to examine matters relating to the negotiations on the future relationship with the European Union.

Current membership

[Hilary Benn MP](#) (*Labour, Leeds Central*) (Chair)

[Lee Anderson MP](#) (*Conservative, Ashfield*)

[Mr Peter Bone MP](#) (*Conservative, Wellingborough*)

[Joanna Cherry QC MP](#) (*Scottish National Party, Edinburgh South West*)

[Sir Christopher Chope MP](#) (*Conservative, Christchurch*)

[Mark Eastwood MP](#) (*Conservative, Dewsbury*)

[Florence Eshalomi MP](#) (*Labour, Vauxhall*)

[Sally-Ann Hart MP](#) (*Conservative, Hastings and Rye*)

[Antony Higginbotham MP](#) (*Conservative, Burnley*)

[Dr Rupa Huq MP](#) (*Labour, Ealing Central and Acton*)

[Stephen Kinnock MP](#) (*Labour, Aberavon*)

[Seema Malhotra MP](#) (*Labour, Feltham and Heston*)

[Nigel Mills MP](#) (*Conservative, Amber Valley*)

[Nicola Richards MP](#) (*Conservative, West Bromwich East*)

[Gary Sambrook MP](#) (*Conservative, Birmingham, Northfield*)

[Mr Barry Sheerman MP](#) (*Labour, Huddersfield*)

[Jane Stevenson MP](#) (*Conservative, Wolverhampton North East*)

[Wes Streeting MP](#) (*Labour, Ilford North*)

[Matt Vickers MP](#) (*Conservative, Stockton South*)

[Dr Jamie Wallis MP](#) (*Conservative, Bridgend*)

[Dr Philippa Whitford MP](#) (*Scottish National Party, Central Ayrshire*)

The following Members are former members of the Committee:

[Mark Fletcher MP](#) (*Conservative, Bolsover*); [Matthew Pennycook MP](#) (*Labour, Greenwich and Woolwich*)

Powers

The powers of the Committee are set out in House of Commons Standing Orders, principally under a Temporary Standing Order of 16 January 2020 (amended on 2 March 2020). These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2021. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright.

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Jonathan Arkless (Committee Specialist), Henry Ayi-Hyde (Committee Operations Officer), Gordon Clarke (Committee Clerk), Mark Earl and Hannah Finer (Committee Operations Managers), Dr Ariella Huff (Senior Committee Specialist), Duma Langton and Julian Mazowiecki (Committee Specialists), Fraser McIntosh (Specialist Assistant), Zac Mead (Second Clerk) and Ben Shave (Media and Communications Officer).

Contacts

All correspondence should be addressed to the Clerk of the Committee on the Future Relationship with the European Union, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 7568; the Committee's email address is freucom@parliament.uk.

You can follow the Committee on on Twitter using [@CommonsFREU](https://twitter.com/CommonsFREU)

Second Special Report

The Committee published its Third Report of Session 2019–21, *Preparing for the end of the Transition Period* (HC 1093), on 19 December 2020 and its Fourth Report of Session 2019–21, *The UK-EU future relationship: the Trade and Cooperation Agreement* (HC 1094), on 30 December 2020. The Government response to both reports was received on 14 January 2021 and is appended below.

Appendix: Government Response

Thank you for your Committee's recent reports: *Preparing for the End of the Transition Period* and *The UK-EU Future Relationship: the Trade and Cooperation Agreement*, which I read with interest.

I wanted to pay tribute to the hard work of the Committee over the past four years. My ministerial colleagues and I value the focus and determination that you and the Committee have put into scrutinising the Government as we developed proposals for, and negotiated our future relationship with the European Union.

I have always been happy to aid the Committee in their scrutiny. To that end, I have enjoyed appearing before your Committee numerous times over the past eighteen months to update you on the progress of negotiations, most recently on 17 December.

While the Committee's scrutiny has now come to an end, as our future relationship with the EU has now been secured, I nonetheless remain grateful for your tireless efforts over the past four years.

Please find our response to recommendations which relate to Government actions below.

Preparing for the End of the Transition Period

Recommendation 2

Complex, large IT systems are always difficult to deliver, and getting Government IT systems ready for the end of the transition period was always going to be challenging. The need to develop some new systems has complicated matters. The Protocol on Ireland/Northern Ireland creates additional complexity; for example, it will require the use of the new Customs Declaration Service because it can handle two different tariff codes for the same product. We note that there is a reasonably high level of confidence that the changes the Government needed to make will be made on time, but we are concerned that some of these changes are coming so close to the end of the transition period that business and traders will not have had enough time to update their own in-house systems. They work with more than just the UK Government's systems; they must be trained on and work with IT systems at ports and with those of the countries they are exporting to or importing from. We are aware that it will take time to train users on both the Government systems and changes to any in-house systems; this training is vital if the whole system for moving goods is to work. Late delivery of IT systems makes it difficult for this to take place before the end of the transition period. We are also concerned that there has not been enough time to test how well all the systems

*work together. **The Government should have a plan in place now so that it can act early in the New Year to deal with any problems.** We will watch to see how the situation develops in the first few weeks of January.* (Paragraph 26)

The Government agrees with this recommendation, which is why we extensively planned ahead of the New Year to ensure all system changes were actioned as planned. For the Trader Support Scheme (TSS), the launch has gone smoothly and the service is handling declarations, with over 26,000 traders having registered (as of 5 January). The TSS Contact Centre has been live since November, with over 700 staff now on hand, and has been managing trader queries.

We understand that the compressed timeline for systems such as Goods Vehicle Movement Service (GVMS) has been a challenge for user readiness. We have been supporting hauliers with detailed webinars that have been available since 17 November and we will continue to provide support. HMRC undertook a controlled go-live for GVMS registrations from 8 December, and successfully completed live proving of the system using real journeys with delivery partners, hauliers and carriers during the week commencing 14 December. The system was opened on 23 December to allow hauliers to create their Goods Movement Record ahead of any movements at 11pm on 31 December. HMRC will continue to support hauliers with the actions they need to take now that GVMS is live.

Recommendation 3

*The Government was right to phase in import procedures on goods arriving from the EU and, given our earlier recommendation on the UK reciprocating on the European Commission's proposed no deal contingency measures on road freight and road passenger transport, we urge the EU to reciprocate on the phasing in of import procedures on goods in order to give businesses more time to adapt to the outcome of the very late running negotiations. Nevertheless, full implementation is now only a few months away and, as the last year has proved, new and unexpected challenges may well emerge. **The Government must ensure that necessary systems and infrastructure are in place, and businesses are informed of the changes they must make, as soon as possible to ensure that the extra time is not wasted.*** (Paragraph 33)

The Government agrees with this recommendation which is why we are taking a pragmatic approach to using some of our regained powers as a sovereign nation so that industry benefits from extra time in priority areas to adjust to the new procedures. For example, we have:

- introduced new border controls in three stages up until 1 July 2021 to allow traders and hauliers time to adjust to new processes;
- as agreed with the EU, simplified Rules of Origin requirements in 2021 to make it as easy as possible for eligible businesses to benefit from zero tariffs, including a 12 month waiver on supplier declarations;
- continued to recognise EU conformity assessed goods for a time limited period to allow businesses time to adapt to the implementation of the new UK Conformity Assessed product marking system;

- continued to recognise EU professional qualifications for a time limited period; and
- taken a phased approach to the implementation of UK REACH to allow industry time to adjust to different regulatory requirements regarding chemicals.

The Government also recognises that it is essential that businesses are informed of the changes they need to make. This is why the Government has been running a public information campaign since last July, urging businesses and citizens to take action to prepare for the changes and opportunities the end of the transition period brings. The majority of the actions for businesses were not contingent on the outcome of negotiations, as in any scenario the UK would have left the Single Market and Customs Union. The Government will continue to engage deeply with business in sectors that are most affected by our changing relationship with the EU to help them adjust and compete on a global stage, including through Ministerial roundtables, sector specific calls, and the ongoing Business Brexit Task Force.

Recommendation 4

*Effective operation of the new Border Operating Model depends on more than IT systems and physical infrastructure. It needs people. Outside the Single Market and Customs Union, businesses and traders will be reliant on customs intermediaries to help them get their paperwork right. It will be impossible to comply with the requirements on plant and animal health, and food and feed safety without the vets and other professionals who are needed to carry out checks and certify goods. We are very concerned that any delays that arise because we have not got the right people in the right place at the right time will make it harder for UK businesses to trade with our European neighbours. **The Government must stand ready to address any shortages in personnel that cause delays once the transition period has ended, i.e. in just over two weeks' time.** (Paragraph 38)*

The Government agrees with this recommendation. We understand that, like the Government, businesses have been responding to the unprecedented coronavirus pandemic - the most testing challenge the country has faced since World War II. We recognise the impact the pandemic will have had on their ability to plan and that is why we have taken the decision to introduce border controls in three stages up until 1 July 2021. This flexible and pragmatic approach will give industry extra time to make necessary arrangements.

Government has invested £705 million in border preparations. This includes £470 million to build infrastructure such as border control posts, and allocating £235m for IT systems and staffing, including more Border Force personnel to ensure our borders are safe and secure and that the UK is ready to take full advantage of its newly sovereign status. Furthermore, HMRC have made £84 million available in grants for intermediaries and traders supporting recruitment, employee training, IT and training projects. The 38 Growth Hubs across England and helplines across Government have also been scaled up to provide information and advice.

More broadly, the government has provided more than £200bn of economic support since March, supporting businesses, individuals and public services as part of our response to

the Covid-19 pandemic. We have also put in place an economic package of support which will provide businesses and individuals with certainty over the winter months, even as measures to prevent further spread of the virus change.

We are also working hard to increase the number of official certifiers to meet demand post transition period, to ensure that the food industry can take advantage of the opportunities and changes that the UK's new chapter will bring. The number of vets able to sign Export Health Certificates for animal products has grown since February 2019 from c. 600 to almost 1500. Working with Animal Plant and Health Agency and Food Standards Agency we have put in place a surge capacity function for both local authorities and veterinary certification providers as short term support. We will continue to keep this under review, working closely with the devolve administrations.

Recommendation 6

*Cooperation on law enforcement and policing is an important part of the UK's future relationship with the EU and the loss of access to certain databases and sources of information that we have made great use of is a cause of concern. While it remains to be seen how close any agreement will be, there will need to be provisions in place on day one to ensure that the UK border is secure and safe. The Government, police, and agencies, such as the National Crime Agency, have clearly anticipated what tools they are unlikely to have at their disposal after the end of the transition period and designed alternatives where possible but it is not clear if those alternatives will be in place on 1 January 2021. For example, it is unlikely that there will be an EU-UK Surrender Agreement ready to replace the European Arrest Warrant and it is not certain that there will be a data adequacy decision for law enforcement purposes in place. The fall-back systems for exchanging data are slower and more cumbersome. **The Government needs to monitor carefully the time it takes for the alternatives to bed in and prove their effectiveness.** (Paragraph 58)*

Part Three of the Trade and Cooperation Agreement (TCA) which covers law enforcement and criminal justice co-operation. It delivers a comprehensive package of capabilities that will ensure we can continue to work with counterparts across Europe to tackle serious crime and terrorism. This is the first time that the EU has agreed such a comprehensive agreement with a third country in this area – reflecting our shared mutual interest in cooperating closely on law enforcement and criminal justice matters.

The European Union (Future Relationship) Act received Royal Assent on 31 December and implements the UK-EU Trade Cooperation Agreement in domestic law. The UK has implemented the law enforcement and criminal justice aspects of the TCA and started operating these new arrangements from 1 January – including on extradition. For capabilities outside the scope of the agreement, cooperation with EU Member States transitioned to alternative, non-EU mechanisms where available at the end of the Transition Period. We will continue to work closely with the police, law enforcement and criminal justice agencies in the UK – as well as the Devolved Administrations – to maintain effective law enforcement and criminal justice cooperation with partners in the EU.

The TCA includes streamlined extradition arrangements based on the EU's surrender agreement with Norway and Iceland but with greater safeguards. These new arrangements

provide stronger protections for individuals, including provisions which make clear that a person cannot be surrendered if their fundamental rights are at risk, extradition would be disproportionate, or they are likely to face long periods of pre-trial detention.

The agreement also provides for effective operational cooperation with Europol and Eurojust that reflects the scale of our contribution to these agencies; fast and effective exchange of national DNA, fingerprint and vehicle registration data via the Prüm system; fast and effective arrangements for exchanging criminal records data via shared technical infrastructure; the continued transfer of Passenger Name Record (PNR) data from the EU; and arrangements that will simplify and speed up cooperation with EU Member States on mutual legal assistance and asset freezing and confiscation. The agreement also provides an additional basis for bilateral law enforcement cooperation to continue between the UK and EU Member States. This includes information sharing in response to requests, as well as on a spontaneous basis, such as information on wanted and missing persons and objects. Consistent with the Committee's recommendation, we intend to keep under review the operation of these new arrangements. Regarding data adequacy, the EU left insufficient time to ratify data adequacy decisions before the end of 2020. We have therefore agreed a time limited 'bridging mechanism' as part of the EU-UK Trade and Cooperation Agreement which allows personal data to continue to flow as it did previously whilst EU adequacy decisions for the UK are adopted, for up to six months. In practice, we do not expect the bridging mechanism to be in place for more than four months. We see no reason why the UK should not be granted adequacy and the process concluded promptly.

Recommendation 7

*The UK has a 300-mile land border with an EU member state on the island of Ireland. The Police Service of Northern Ireland and An Garda Síochána have developed ways of sharing information and intelligence which is important for countering cross-border crime. **The UK must explore all possibilities available, including the possibility of bilateral arrangements, in order that law enforcement agencies in Northern Ireland and Ireland can continue to cooperate in this way on 1 January 2021.** (Paragraph 59)*

The Government agrees with this recommendation. It is essential that the Police Service of Northern Ireland (PSNI) and the An Garda Síochána (AGS) continue to share information and intelligence, in order to tackle cross-border crime. They have an existing strong and well established culture of collaboration with excellent working relationships at all levels. This has continued, with numerous vehicles enabling cooperation not affected by EU Exit.

In addition, and as set out under recommendation 6, the UK/EU Trade and Cooperation agreement includes a deal on law enforcement and criminal justice cooperation which provides for continued cooperation with EU Member States, including Ireland. Within this agreement there is an additional basis for bilateral law enforcement cooperation, which includes information sharing in response to requests, as well as the spontaneous provision of information. The Government takes a pragmatic and proactive approach to ensuring effective law enforcement cooperation between PSNI and AGS and this will continue. Ireland is, and will remain, an important partner for the UK.

Recommendation 8

*We welcome that formal agreement has been reached in the Joint Committee on how the Ireland/Northern Ireland Protocol will work in practice. We urge HMRC to intensify its working relations with the Irish Revenue Commissioners and other relevant authorities to ensure consistency in application of the agreed processes and avoid further disputes in future on their interpretation. The new arrangements will affect GB businesses and hauliers involved in moving goods, particularly agrifoods, to Northern Ireland, as well as the ports of Holyhead in Wales and Cairnryan in Scotland. **The UK Government should work closely with the Devolved Governments and put contingencies in place to minimise traffic disruption near to the sites of the affected GB ports.** (Paragraph 73)*

The Government agrees with this recommendation, which is why we continue to work closely with DAs and we planned for contingencies. We are not currently seeing significant disruption at the border caused by the end of the Transition Period. It is of course early days and, as is normally the case during the first days of January, volumes of traffic have been low.

We are, however, ready should this disruption occur. We have a new Border Operating Centre, which is operating 24/7 and is using the new Border Flow Tool. This Tool will pull together all the necessary sources of information to track what is happening at the border, which will help us monitor and manage disruption. We are working closely with Local Resilience Forums in Kent, Devolved Administrations and elsewhere to manage disruption. We also have excellent operational contacts with the EU and key Member States to help resolve issues.

Our traffic management plans are in place and currently activated, for example in Kent. We are confident that we have the tools to mitigate disruption and the queues at the border as and when it occurs over the next few weeks as traders adjust to the new requirements.

The UK-EU Future Relationship: the Trade and Cooperation Agreement

Recommendation 4

*This deal is important, but businesses, traders and communities need to understand that it heralds significant change in the UK's relationship with the EU; it does not preserve the arrangements in place before or during the transition period. **It is imperative that the Government communicates the coming changes clearly so that businesses can take the steps they need to take in order to comply with the new arrangements. We urge all relevant authorities to be as flexible as possible in their enforcement of the new arrangements in the coming weeks to support people through the new procedures rather than punishing them for unintended noncompliance.** (Paragraph 25)*

The Government agrees with this recommendation. As I have already set out above, in response to recommendation 4 of the Committee's report on Preparing for the End of the Transition Period to ensure businesses take the necessary steps, we have put a range of pragmatic measures in place. These include:

- a) Publishing the detailed [Border Operating Model](#) outlining how the UK will introduce the new border controls in three stages up until 1 July 2021 to ensure businesses benefit from extra time to adjust to the new procedures;
- b) Providing an £84 million support package to boost the capacity of the customs intermediary sector;
- c) Announcing an unprecedented £705 million package of investment for border infrastructure, staff and technology;
- d) Committing to building new border facilities in Great Britain for carrying out customs checks;
- e) Launching a major national communications campaign in July 2020 which tells businesses steps they need to take;
- f) [A checker tool](#) is available on GOV.UK for businesses to understand the specific actions required for them; and
- g) Launching a free-to-use Trader Support Service, backed by up to £200 million of UK government funding, which will provide crucial support and guidance to businesses of all sizes moving goods under the Northern Ireland Protocol.

We have also intensified our engagement with businesses through the Brexit Business Taskforce, a regular direct dialogue for practical problem solving between government and industry. Ministers are also speaking directly to hundreds of businesses across the country as well as launching sector roundtables to develop a shared vision and plan for the future of these sectors across the UK.

There are also a number of helplines and forums which businesses can contact if they need further information, including BEIS' Business Support Helpline that SMEs can contact and a newly established EU Transition Trader and Industry Forum to help businesses who trade over the border. A new gov.uk webinars [webpage](#) has been published which captures all transition readiness webinars by sector. We will continue to engage business in sectors that are affected by our changing relationship with the EU to help them adjust and continue to successfully compete on the global stage.

While we will penalise deliberate non-compliance, we will seek to support those who make genuine errors to get it right. HMRC has undertaken a package of activities to support and educate traders on the new procedures and make them aware of their obligations. We will promote the keeping of good records, which will be crucial in minimising losses to error once supplementary declarations are made. We can also use existing powers to ask for a trader's records to check that they have made adequate entries and provide additional guidance to our staff to ensure they pursue a more supportive approach with traders and intermediaries during staged controls.

As I set out earlier, the staging-in of import controls (with most traders not needing to make import declarations until July 2021) has been introduced to ensure traders have sufficient time to get ready. This is supported by our work to encourage the customs intermediaries sector to build capacity through the changing of liability rules to incentivise them to take on new clients, and the provision of over £50m in grant funding for training, IT, and recruitment. Additionally, for those trading with Northern Ireland we have established

a new, free, Trader Support Service which will educate traders on the steps they need to take, and record electronic information on goods moving from Great Britain to Northern Ireland on their behalf so that traders do not have to engage directly with new customs processes or systems. All of this should help encourage readiness and ensure instances of non-compliance are as low as possible.

Recommendation 5

*The UK Government and the European Commission must move ahead swiftly with implementation, establishing the Agreements' institutional arrangements and reducing or eliminating any remaining areas of uncertainty, for example: data adequacy and equivalence for financial services. **The Government should ensure the terms of the deal and its implications are communicated quickly and clearly, helping them to prepare in the very short amount of time available, given the absence of any phasing in arrangements, so that businesses can reap the benefits of the deal.*** (Paragraph 29)

The Government recognises the importance of moving ahead with implementation of the Agreement and communicating out relevant information quickly and clearly. We stand ready to help businesses capitalise on the opportunities created by this excellent deal – helping to boost productivity, unlock investment and safe-guard high value jobs in the UK. We will continue to engage business in sectors that are affected by our changing relationship with the EU to help them adjust and continue to successfully compete on the global stage. Ministers will be speaking directly to hundreds of businesses across the country as well as launching sector roundtables to develop a shared vision and plan for the future of these sectors across the UK.

As I set out in paragraphs above, with regards to data adequacy, the EU left insufficient time to ratify data adequacy decisions before the end of the Transition Period, so we have agreed a time limited 'bridging mechanism' which will allow personal data to continue to flow as it did previously. The bridging mechanism will operate on the basis of UK law and with some restrictions on the UK's use of international data transfer powers. As a sensible precaution, businesses and other organisations should consider putting in place alternative transfer mechanisms to safeguard against any interruption to the free flow of EU to UK personal data.

We have also taken note of the European Commission's intention to launch the procedure of adequacy decisions with respect to the UK under the General Data Protection Regulation and the Law Enforcement Directive, and its intention to work closely to that end with the other bodies and institutions involved in the relevant decision-making procedure.

Alongside the Agreement, the UK and EU have agreed, in a joint declaration, to establish structured regulatory cooperation for financial services. This will support continued engagement and information sharing on issues of mutual interest to both parties, with the aim of establishing a durable and stable relationship between autonomous jurisdictions. This cooperation will be based on a shared commitment to preserve financial stability, market integrity, and the protection of investors and consumers. The Parties set out these shared objectives in the Joint Declaration. A Memorandum of Understanding (MoU) will be agreed, by March 2021, to establish a framework for this cooperation. We will be seeking arrangements that are similar to those we are also seeking with other large

and close financial services partners. Our expectation is that the EU will be open to this, reflecting the fact that it is similar to the process of formal dialogue it already has with the US.

Regulatory cooperation will respect the integrity of our respective, autonomous equivalence frameworks, and will help facilitate transparency and appropriate dialogue in the process of adoption, suspension and withdrawal of equivalence decisions, among other issues. Our view has always been that making equivalence decisions should be a technical, outcomes-based process and that, given our starting point, there is no reason why a full set of reciprocal decisions from both the UK and the EU should not be possible.

I hope you have found the above answers helpful.