Committee of Public Accounts
House of Commons, London SW1A 0AA
Tel 020 7219 5776 Email pubaccom@parliament.uk Website www.parliament.uk/pac

Alex Chisholm
Chief Operating Officer for the Civil Service and Permanent Secretary for the Cabinet Office
Cabinet Office

6 December 2021

Dear Alex,

The UK border: Post UK – EU transition period

Thank you for your evidence to the Committee on 24 November 2021, alongside your colleague from the Border and Protocol Delivery Group (BPDG) in the Cabinet Office and the Permanent Secretaries of the Department for Environment, Food and Rural Affairs (Defra), HM Revenue & Customs (HMRC) and the Department for Transport (DfT). We will be producing a report in due course containing our recommendations. However, given the imminence of some of the deadlines and the urgency with which issues need to be addressed, we wanted to put our concerns on record now. These are based on: the Committee's view of the National Audit Office's November 2021 report (The UK border: Post UK EU transition period); the Committee's evidence sessions on 22 November and 24 November 2021; and the Committee's previous work in this area.

Passengers

The end of the transition period has meant changes for how passengers travel between the UK and the EU. The NAO reported in November that very significant queues could have occurred at Dover if France had been put on the green list for COVID-19 travel restrictions during the summer of 2021. The Cabinet Office told us that it did have some contingency plans in place in case of disruption but it had been helped by passenger volumes staying significantly lower than normal levels and by the French being faster in processing passengers than anticipated. However, passenger numbers may increase significantly during 2022. The Cabinet Office also told us that the EU's planned Entry and Exit System would pose challenges, particularly at the juxtaposed controls, where EU officials carry out border checks on the UK side of the border. For example, it would be much more difficult to unload large numbers of passengers in a car or coach at Dover to undertake biometric checks than it would to undertake this checking at an airport.

Given the potential for disruption, we are very concerned that the Home Office is only in the early stages of talking to French officials about how they might implement these checks. We urge departments to engage urgently with their counterparts in all relevant EU states, to influence and manage the impact of the new system on UK passengers travelling to the EU. More generally, departments need to be factoring in increases in passenger and trade volumes into their planning.

Engagement with small and medium sized enterprises

We heard evidence from our witnesses on 22 November about the difficulties that smaller traders have had dealing with the additional requirements and cost of moving goods across the border. Indeed, we all have numerous examples of similar issues which firms are facing from within our own constituencies. The Cabinet Office told us that it had focused on these businesses in the run up to the end of the transition period, but that there are more of them to reach and smaller businesses had less capacity to engage. In terms of preparedness for import controls, HMRC told us that 85% of the value of imports from the EU are by large traders who also trade with the rest of the world. It was confident these large traders would be ready for import controls, and it was putting a lot of effort into reaching the remaining 15% which comprised about 90,000 traders. HMRC told us that, with the exception of large traders, most traders will employ an intermediary to manage their customs compliance, which obviously comes at a cost.

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We are particularly concerned about the burden being placed on smaller traders due to new border requirements and we consider that some of the issues they are facing could have been anticipated earlier. One of the previous consequences of targeting large traders was that a lot of small and medium-sized businesses felt they were left out, and they really struggled. We welcome the establishment of the Export Support Service but urge departments to do more to actively engage with smaller businesses to really understand their issues and provide them with targeted support.

Government readiness for the introduction of full import controls

The government originally intended to introduce full import controls from 1 January 2021, and has already delayed their introduction three times, with further controls now due to be introduced between January 2022 and November 2022. We had hoped that departments would be able to assure us categorically that there would be no further delays, but they could not.

HMRC told us that two key things were changing from January. The first was the removal of existing staged customs controls, and the second was that ports must have arrangements in place to be able to control goods that are under customs control. HMRC told us it had scaled both CHIEF and CDS to cope with more than the volume of declarations it was expecting. It had also put in place the system to notify drivers where to go for checks on their consignment, if required, and was working with Defra to ensure that the system would be enhanced for July to provide notifications in relation to Defra checks. HMRC also told us that it was confident it had the right infrastructure in the right place to cope with the changes that will come on 1 January.

Despite the assurances we heard, there are some elements of government's preparations for January where we have particular concerns. In particular, we note that the NAO's report states that, as at 28 September 2021, only 39 of the 261 ports that will need to operate new customs controls from 1 January 2022 had been granted approval by the National Frontiers Approval Unit for their chosen model of customs control. We welcome HMRC's decision to deploy 30 additional HMRC staff to assist with approvals but note that, with so little time before 1 January 2022, the timetable is very tight. We are also concerned that the government has not provided ports with the clarity they need regarding the level of checking it intends to undertake, or finalised the charging regime for its inland sites, and encourage it to do so as a matter of urgency. While we note the Cabinet Office's assertion that "this mostly bites from 1 July" the lack of clarity on the charging issue makes it very difficult for ports to plan, including in the context of the customs checks due to be introduced from 1 January.

Trader and haulier readiness for the introduction of full import controls

HMRC told us that it had a high level of confidence in trader readiness generally, with the greatest risk to readiness being hauliers. While EU haulier readiness had been improving, it was at a lower level than UK readiness. HMRC told us that lorries that are not ready will find on 1 January that they are going to get turned away at the port of Calais. Defra told us that from January, goods will need to be pre-notified on its IPAFFS import system, and it will have a phased approach to physical checks. It also told us that, in the early days, if traders have not pre-notified, there would be the option to take a pragmatic approach.

We are very concerned about the potential implications of any lack of trader and haulier readiness and urge the government to ensure it has suitable contingency plans in place to deal with any potential traffic disruption or interruption to supply. This is particularly important in the context of the more general concerns about the shortage of HGV drivers and interruption to supply chains caused, in part, also by the pandemic.

Northern Ireland

The Northern Ireland Protocol came into operation from 1 January 2021, with grace periods delaying some requirements. The Cabinet Office told us that the results of its monitoring of the impacts of the Protocol had

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been very concerning. It also told us that discussions between the UK and the EU regarding potential changes to the Protocol have been energetic and are continuing, but that pragmatic, comprehensive solutions needed to be found to the genuine difficulties being experienced on the ground. We recognise the complex and sensitive political context in which departments must take forward their work on the Protocol. Nevertheless, it is essential that government should continue its efforts to resolve the challenges of the Protocol, and that departments are ready to put any negotiated outcome into operation and prepare for any contingencies which may be required if an agreement cannot be reached between the UK and the EU.

Overall, departments were very positive about the progress achieved since the end of the transition period and optimistic about their ability to manage the challenges to come. We will see if this confidence proves to be justified, as we continue to monitor departments' progress in this area and to hold them to account for the results.

I am copying this letter to the Permanent Secretaries of HMRC, Defra and DfT, and also the Home Office. I am also copying this letter to the Comptroller & Auditor General and to the Treasury Officer of Accounts. A copy will be published on our website.

DAME MEG HILLIER MP

CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS

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