National Audit Office

The UK border: Post UK–EU transition period

Cross-government

REPORT

by the Comptroller and Auditor General

SESSION 2021-22
5 NOVEMBER 2021
HC 736

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Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 3 November 2021

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

29 October 2021

HC 736 | £10.00

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010758 11/21 NAO

Contents

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Key facts

23%

decrease in total UK trade in goods with EU countries comparing Quarter 1 2021 with Quarter 4 2020 (UK–EU trade flows have been affected by both EU Exit and the COVID-19 pandemic)

140,000

Export Health Certificates signed by certifying officers for the export of goods from GB between January and July 2021 (of which 116,000 related to the export of goods from GB to the EU)

48m

the number of full or simplified customs declarations made by traders to HM Revenue & Customs during the period between January and August 2021 (compared with 44 million during the whole of 2020)

£470 million government's current allocated funding for infrastructure required for checks at the border, comprising £200 million in grants to ports through the Port Infrastructure Fund and £270 million for inland border facilities (in addition to the amount funded by ports, which is unknown)

£113 million the amount that the government has spent on financial support for industries and sectors affected by the end of the transition period in Great Britain

>£500 million UK government funding made available to support businesses trading in Northern Ireland

1.2 million movements of consignments from Great Britain to Northern Ireland supported by the Trader Support Service between January and September 2021

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Summary

Introduction

1 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 (GB) (known as the Northern Ireland Protocol or the 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. Other key events in the timeline included the following:

- On 8 December 2020, the UK government announced that it had come to an agreement in principle with the EU on the terms of implementation of the Protocol, which had not been finalised in the Withdrawal Agreement.
- On 24 December 2020, the UK and the EU reached a Trade and Cooperation Agreement (TCA), which set out the details of the future relationship between the UK and the EU.
- On 31 December 2020, the transition period ended and the Northern Ireland Protocol came into effect.

2 In advance of the end of the transition period, the government put in place an initial operating capability for the GB-EU border for 'day one' and the arrangements necessary to implement the Northern Ireland Protocol. Under the terms of the Protocol, Northern Ireland (NI) is part of the UK's customs territory but should apply the EU's customs rules and follow EU single market rules. Although the Protocol has been in operation since the end of the transition period, the UK and the EU agreed that a number of grace periods should initially apply to certain aspects of the Protocol to give government and traders more time to prepare for the changes to come. The UK and the EU are currently in discussions regarding the Protocol. On 6 September 2021, the UK government confirmed that it would continue to operate the Protocol on the current basis, including the grace periods currently in force, to provide space for potential further discussions and to give certainty and stability to businesses while any such discussions proceed.

3 As a result of the UK leaving the EU, and to comply with World Trade Organization (WTO) rules, the UK is required to apply import controls on goods arriving in the UK from the EU in a way that is no more favourable than it does on goods arriving from the rest of the world, unless any differences are justified by one of the exceptions to the Most Favoured Nation rule as set out in the WTO treaties. This includes customs checks, including on goods moving under the Common Transit Convention (CTC), and sanitary and phytosanitary (SPS) checks on animals, plants and their products.[1] The EU has been applying full import controls to goods moving from the UK to the EU since 1 January 2021. The UK has adopted a phased approach to introducing import controls, as set out in **Figure 1**.

Figure 1

Timetable for the introduction of import controls in the UK

The UK government has adopted a phased approach to introducing import controls

Control	Most recent revised timetable (announced on 14 September 2021)
Full customs checks for excise and controlled goods, such as alcohol and tobacco.	1 January 2021
Pre-notification for live animals and high-risk plants and plant products, and full import declaration upon entry in the UK required.	1 January 2021
Pre-notification of products of animal origin, low-risk animal by-products not for human consumption, and high-risk food not of animal origin required.	1 January 2022
Customs import declarations required for non-controlled goods from the EU, and the option to use the deferred declarations scheme, including submitting supplementary declarations up to 175 days from the time of import, ends.	1 January 2022
Pre-notification for low-risk plants and plant products required.	1 July 2022
Safety and security declarations for imports required.	1 July 2022
Documentary checks and physical checks on animal products, high-risk food not of animal origin and high-risk plants introduced and will take place at Border Control Posts.	1 July 2022
Checks at Border Control Posts will take place on live animals and low-risk plants and plant products.	1 July 2022

Note

1 The controls brought in from 1 January 2021 are already in operation.

Source: National Audit Office analysis of government data

1 Moving goods under the CTC allows traders to reduce the number of declarations they are required to make when moving goods across borders within a customs territory, and to suspend the payment of duties until goods reach their final destination.

4 The UK government had committed to leaving the EU single market and customs union, regardless of the outcome of its negotiations with the EU on the future relationship. This meant that there would be new requirements for traders moving goods across the border, such as the need to make customs declarations. The agreement of the TCA did not, therefore, have a significant impact on the arrangements that government and third parties had to put in place before the end of the transition period to move goods across the border. It did, however, include elements which would reduce friction on trade between the UK and the EU, in comparison to a no-deal scenario. Most notable of these was the agreement that there should be zero tariffs or quotas on trade between the UK and the EU, where goods meet the relevant rules of origin.

Scope of this report

5 Since the UK's decision to leave the EU in 2016, the National Audit Office has reported five times on the management of the UK border, focusing primarily on the government's preparedness for exiting the EU without a deal. In our last report, *The UK border: preparedness for the end of the transition period*, we highlighted risks relating to government and trader readiness, and in particular, the arrangements required to implement the Northern Ireland Protocol.[2] Since we last reported, the transition period has ended, and the new relationship between the UK and the EU has begun. The purpose of this report is primarily to draw together information on the impact of the new arrangements and on future risks which the government must manage. We have done this by:

- assessing government and third parties' preparedness to manage the GB–EU border after the transition period (Part One);
- setting out the impact of the new border arrangements at the GB–EU border (Part Two);
- reporting on significant future events relating to the management of the GB–EU border, including progress with the phased implementation of full import controls (Part Three); and
- reporting on the implementation of the Northern Ireland Protocol (Part Four).

This report is based on information available up to 22 October 2021.

2 Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019–2021, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/report/the-uk-border-preparedness-for-the-end-of-the-transition-period/

6 Our examination focuses primarily on the movement of goods through ports, including roll-on, roll-off (RORO) ports, where the most change is required. However, we also highlight new requirements for passengers crossing the border. In this report we do not present a comprehensive view of costs, nor do we reach a conclusion on the value for money of government's preparations at the border.[3,4]

7 We have examined the work of all UK government departments with significant responsibilities at the border. This includes HM Revenue & Customs (HMRC); the Department for Environment, Food & Rural Affairs (Defra); the Home Office; the Department for Transport; the Department for International Trade; and the Border and Protocol Delivery Group (BPDG) and others within the Cabinet Office.

Key findings

Preparedness for the end of the transition period at the GB–EU border

8 The government was largely successful in putting in place its initial operating capability for the border for 1 January 2021. Before the end of the transition period, departments put in place the systems, infrastructure and resources needed to implement its initial model to:

- trade goods between GB and the rest of the world;
- demonstrate that the UK was seeking to comply with WTO rules;
- replace border systems to which the UK had access through the EU; and
- enable traders to move goods under the CTC.[5]

To achieve this, departments prioritised the delivery of only essential elements before 1 January 2021 and introduced a series of easements to provide additional time for government, traders and third parties to prepare for the new arrangements to come. This also required the considerable efforts of civil servants to deliver the changes to a time-pressured, fixed deadline. There were no major systems or process failures, which is a significant achievement given the complexity and scale of the arrangements required (paragraphs 1.6, 1.8 and 1.11 and Figure 4).

3 Roll-on, roll-off (RORO) refers to the way that freight is loaded and unloaded – that is, it is usually driven on or off the ferry or train.

4 Eurotunnel has told us that it is a land-based transport system and is not, technically, a port. However, it shares many of the same characteristics as a RORO port.

5 We refer here to an initial operating capability. We referred to a minimum operating capability in our previous reports in the context of no-deal preparations. The government's model for the end of the transition period includes some elements additional to the no-deal preparations, such as limited import controls (for controlled goods such as tobacco and alcohol).

9 The queues modelled in the government's reasonable worst-case scenario did not materialise. The government provided support to traders to help them prepare, including webinars and an extensive communications campaign, but readiness of traders for new EU import controls remained one of the most significant risks to the overall operation of the border from 1 January 2021. There were queues in December 2020 when the French border was unexpectedly shut due to COVID-19 restrictions. However, significant queues did not materialise after the end of the transition period. This was likely due to a combination of factors, including some suppression of traffic flows because of stockpiling, traders' wariness about the new controls, and the impact of the pandemic on traffic flow. It is also due to the arrangements which the government put in place to reduce the likelihood of unready trucks reaching the border, primarily the government's Check an HGV service and Kent Access Permit scheme. During January 2021, the percentage of lorries being turned back from the short Channel crossing locations peaked at 8% but, by March 2021, had fallen to 1% as traders and hauliers became more familiar with new border requirements (paragraphs 1.12, 1.13, 1.17, 1.18, 1.20, 1.21, 2.4 and 2.5).

10 There was some disruption in other parts of the supply chain as the government and traders adjusted to new EU import controls. Data collected by the government show that the volume of GB inbound and outbound RORO freight services during January 2021 was 76% and 75% of January 2020 levels, respectively. While the pandemic and the stockpiling of goods in the final quarter of 2020 has depressed trade flows, some disruption to trade occurred because traders and hauliers were not ready for EU controls. There were also specific issues which caused disruption to the flow of particular types of goods, such as seafood and other food products, or where there were operational issues which needed resolution. Some of this disruption was not visible at the border but at distribution centres or elsewhere in the supply chain. Departments established arrangements to monitor traffic flow at the border and resolve operational issues where possible. Traders' preparations were hampered by: the late agreement of the TCA; a lack of clarity about the nature of the arrangements they had to put in place, for example in regard to rules of origin requirements; and in the case of smaller businesses, a lack of resource, which was exacerbated by COVID-19 (paragraphs 1.14, 1.19, 2.2, 2.6 and 2.9 to 2.13, and Figures 5, 10 and 11).

The impact of the new border arrangements at the GB–EU border

11 **As a result of leaving the EU single market and customs union, businesses face additional burdens, which will increase further as full import controls are phased in.** Although the TCA has introduced a zero-tariff regime, there remain additional administrative costs which businesses face. Many of the extra burdens of border controls are not manifested at the border itself but elsewhere in the supply chain. Traders will need to complete additional declarations and face additional checks after full import controls are phased in between October 2021 and July 2022. Between January and August 2021, traders have made around 48 million simplified and full customs declarations on goods movements between GB and the EU and between the UK and the rest of the world.[6] Between January and July 2021, certifying officers have signed off 140,000 Export Health Certificates (EHCs) for the export of goods from GB, of which 116,000 related to the export of goods from GB to the EU.[7] In the longer term the government is developing a programme of work to support its ambition of having the world's most effective border, including developing technology to reduce the administrative burden of moving goods across the border (paragraphs 2.11 to 2.18 and 3.40 to 3.42, and Figures 11 and 12).

12 **The UK's trade with the EU fell significantly during the first quarter of 2021 but had partially recovered by the second quarter.** When comparing Office for National Statistics (ONS) data for the UK's total trade in goods with the EU (exports plus imports) for Quarter (Q) 4 2020 against Qs 1 and 2 2021 there was a 23% and 13% reduction respectively. The drop in trade in Q1 was partly driven by a 44% fall in exports and a 33% fall in imports in January 2021 when compared with December 2020. As the ONS has noted, it is not possible to disentangle the extent to which these changes related to EU Exit and the effect of the pandemic but the reductions in the UK's trade with the EU are significantly greater than the UK's trade with the rest of the world over the same period. Total trade in goods between the UK and EU was 15% (£17.0 billion) less in Q2 when compared with the equivalent quarter in 2018 (which the ONS uses as a comparator year), whereas UK trade with the rest of the world was up 1.0% (£1.0 billion) (paragraphs 2.2, 2.9, 2.10 and Figure 8).

6 This compares to 44 million during the whole of 2020.
7 A certifying officer is a representative of a veterinary business or local authority who is authorised to issue Export Health Certificates.

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

13 **The food and fishing industries have been particularly affected because of higher export costs and limited preparation for new checks.** Although large declines in exports were seen across all commodities of goods in January 2021 exports of food and live animals suffered the greatest decline, falling 73% on the previous month. Although exports of food and live animals recovered through the first half of 2021, representatives of these industries report the following issues have made exporting these products more time consuming and expensive:

- The extended UK exporting process and EU importing process, which can take more than 20 separate steps now, rather than two before.
- Problems with the groupage process by which smaller traders share heavy goods vehicles (HGVs).
- The cost of EHCs.

Smaller businesses, with fewer resources available, have also been particularly affected (paragraphs 2.13 to 2.15, Figures 10 and 11).

14 **The government responded to provide financial support schemes for some sectors but did not have a strategic plan for its interventions prior to the end of the transition period.** To date the UK government has spent £113 million to support businesses affected by the new controls. This is made up of: £84 million to support the expansion of the customs intermediary sector; £6.7 million to support small and medium-sized enterprises (SMEs) dealing with new controls; and £22 million on a Seafood Disruption Support Scheme set up at short notice after the end of the transition period. The government did not establish in advance of the transition period: which industry sectors might be most affected and likely to need support; options for how it could support them financially and for how long; or the process by which this support could be provided. The government considered that it was more appropriate to track which businesses were facing difficulties and then respond in those exceptional cases where it considered there was a market failure which required government intervention. The financial support it has provided has helped some businesses, but exporters of food and plants still face considerable extra costs, and business representatives have criticised some of the eligibility criteria for the schemes and the length of time for which they ran. Smaller businesses were unable to access the SME fund if they had undertaken any previous business activity with the rest of the world. Only £8.5 million of the £20 million available had been applied for by the time the SME fund closed at the end of June 2021 (paragraphs 2.19 to 2.22).

Significant future events relating to the management of the GB–EU border

15 The government would have been in a position to implement import controls by January 2022, but might have had to deploy contingency plans in some areas. The UK government originally intended to introduce full import controls on 1 January 2021 but has since delayed this three times, most recently in September 2021, with most controls now being introduced between 1 January and 1 July 2022.[8] BPDG told us that Accounting Officers of all the relevant UK government departments met at the start of September 2021 to review the state of readiness and agreed that, individually and collectively, they would have been ready to implement the new controls for January 2022. Our analysis shows that most of the systems, infrastructure and resources needed for January 2022 were on track but there were elements of delivery which were at risk and where departments might have had to deploy contingency plans. For example, there was a risk that, for a small number of the 41 ports at which the UK government is funding new infrastructure, facilities might not have been completed to full specification by that date. BPDG was working with ports where delivery confidence was low to agree alternative plans (paragraphs 3.2, 3.3, 3.9, 3.19 to 3.21, Figure 12 and Figure 13).

16 There is still uncertainty regarding elements of the government's infrastructure programme. New infrastructure is needed for a range of purposes, including compliance checks relating to customs procedures and the movement of animals, plants and their products. In total, the UK government has funded £200 million of new infrastructure at ports through the Port Infrastructure Fund (PIF) and has also allocated £270 million on purchasing and building new infrastructure at inland sites. Several elements of the government's infrastructure programme remain uncertain, in part because of challenges in forecasting the amount and type of capacity required. Factors which affect the capacity required include:

- wide ranges in forecasts of numbers of hauliers that might transport goods under the CTC and require appropriate facilities, and those who might choose to become Authorised Consignors or Consignees and therefore use their own premises;[9]
- uncertainty regarding the volumes of animals, plants and their products which might require checking; and
- difficulty in forecasting the impact of border changes and arrangements relating to the Northern Ireland Protocol on trader behaviour and choice of routes.

8 Prior to the September 2021 announcement of a revised timetable, all controls, except for checks on live animals and low-risk plants and plant products at Border Control Posts, were due to be introduced by 1 January 2022 (see Figure 12).

9 Authorised Consignor and Consignee status allow traders to declare goods at their premises rather than at an Office of Departure and to end movements at their premises rather than at an Office of Destination.

Ports will bear the operating costs of running their own sites and the government is yet to announce a charging policy for the use of the government-funded inland facilities. Port representatives, such as the UK Major Ports Group, told us that they were very concerned that this work was yet to be finalised and that the government had introduced late changes to the specifications for new infrastructure, which had added additional time and cost to ports' preparations. The devolved administrations told us that development of the new infrastructure required has been hampered by issues including policy and funding uncertainty, and difficulty locating appropriate sites (paragraphs 3.13 to 3.21).

17 Trader and haulier readiness remain significant risks despite the further delay in introducing import controls. When import controls are introduced, traders and hauliers will need to comply with new requirements. It will be a significant challenge for the UK government and EU member states to make sure businesses across 27 countries understand what they need to do and when. Departments are drawing on their experience preparing for the end of the transition period, for example, by undertaking more targeted work with specific groups in the EU. This includes setting up information and advice sites for hauliers at GB-facing ports and on key ferry routes, as well as working with EU member states to target specific groups through trade associations. However, as at August 2021, BPDG reported the risk relating to trader and haulier readiness for January 2022 as amber-red. If traders and hauliers had not been ready for when government planned to introduce new import controls in January 2022, this could have reduced the flow and availability of food and other products to the UK. The government's decision to delay import controls for a third time relieves some of the immediate pressure on businesses, particularly in the agri-food sector, but departments will continue to face significant challenges to ensure traders and hauliers are ready (paragraphs 3.26, 3.29, 3.30 and 3.33).

18 There are ongoing risks in not having a full import control regime in place. In February 2020, the UK government committed to putting in place a full import control regime by the end of the transition period. The EU has been operating such a regime since 1 January 2021 but, on the latest timetable, the UK will not have this in place until July 2022. This means a continued disadvantage for UK exporters compared with EU exporters. The government's decisions to delay are likely to have reduced the pressure on traders and hauliers, but the changing timetable and ongoing uncertainty also has an effect on their readiness. Repeated delays to putting in place an effective border regime also leaves the UK open to potential challenge that it is not complying with international trading rules, and more likely that gaps in border controls could be exploited. In addition, they also delay the UK's ability to collect new data on the movement of goods across its border and use these to improve its compliance regime to effectively target risk (paragraphs 1.6, 1.7, 3.5, 3.34 and 3.38).

The implementation of the Northern Ireland Protocol

19 The Northern Ireland Protocol came into operation from 1 January 2021, with grace periods delaying the requirements for some checks and preparations. In November 2020, we reported that implementing the Protocol was very high-risk due to: the scale of the changes required; the limited time available; the dependence on ongoing negotiations; and the complexity of the arrangements. On 8 December 2020, the UK and the EU reached an agreement on implementing the Protocol, which included an agreement to temporary 'grace periods' on some of the more challenging aspects of the arrangements, such as checks on the movement of food to supermarkets, which were delayed for three months until 1 April. The subsequent agreement of the TCA on 24 December 2020 removed some further elements of complexity, reducing the number of goods subject to tariffs when moving from GB into Northern Ireland. However, many new systems and procedures, such as customs declarations on the goods moving from GB to Northern Ireland, were introduced from 1 January 2021 (paragraphs 4.1, 4.3 to 4.6, and Figures 17 and 19).

20 The customs arrangements required from 1 January 2021 were introduced, but not all the required checks on animals, plants and their products were undertaken. HMRC modified existing systems (such as the Customs Declaration Service) and introduced new ones (such as the Goods Vehicle Movement Service (GVMS)) to operate the Protocol from 1 January. It also successfully put in place, at short notice, the Trader Support Service (TSS), forecast to cost around £360 million between 2020 and 2022, which has facilitated the movement of around 1.2 million consignments between GB and Northern Ireland between January and September 2021. Defra also put in place the Movement Assistance Scheme to reimburse traders for some of the certification costs associated with moving animals, plants and related products from GB to Northern Ireland under the Protocol. The Northern Ireland Department for Agriculture, Environment and Rural Affairs (DAERA) is responsible for putting in place the systems, infrastructure and resources to undertake SPS checks in Northern Ireland. Since 1 January 2021, DAERA has been undertaking SPS checks on animals, plants and their products which are not covered by the grace periods, for example, in relation to food which is not covered by the supermarket exemption. However, in select committee evidence in April 2021, DAERA stated it had not been undertaking the volume of physical checks required under the Protocol because it did not have sufficient staff or facilities (paragraphs 4.3 to 4.9, 4.11, 4.12, 4.15 and Figure 19).[10]

10 Northern Ireland Assembly Committee for Agriculture, Environment and Rural Affairs, *Withdrawal of DAERA and Local Authority Staff from Ports*, Official Report (Hansard), 15 April 2021, p18. Available at: http://data.niassembly.gov.uk/HansardXml/committee-25892.pdf

21 There is considerable uncertainty about the future arrangements that the UK government and the Northern Ireland Executive will need to put into place regarding the Protocol. There is not yet a complete picture of the impact of the Protocol on trade between GB and Northern Ireland but there are indications of changes to trade flows and disruption to business since 1 January 2021. Under the implementation terms of the Protocol agreed with the EU in December 2020 the volume of SPS checks required on animals, plants and their products arriving in Northern Ireland, including food moving to supermarkets, will significantly increase once the grace periods expire. In March 2021 the UK government took the unilateral decision to extend the grace periods, originally until 1 October 2021, and the EU subsequently launched legal action against the UK. Subsequently, in July 2021, the UK published a Command Paper setting out a proposed new approach to the Protocol, which included a scheme whereby all goods destined to remain in the Northern Ireland market would not attract a tariff charge, be subject to customs or SPS declarations, or to checks on their arrival from GB. The UK government explained its proposed new approach was because: the current operation of the Protocol had imposed extensive burdens on businesses moving goods into Northern Ireland; that these burdens would only grow as time went on, imposing extra costs and potentially unsustainable challenges for authorities and for businesses; and that it had resulted in a diversion of trade. In September 2021, the UK announced that it would continue to operate the Protocol on the current basis, including the grace periods and easements currently in force. On 13 October 2021, the EU proposed bespoke arrangements for the operation of the Protocol. The UK and EU remain in negotiations over changes to the Protocol and the operational implications of any changes are still to be determined. The UK government intends to continue to operate the Protocol on the current basis while talks between the UK and the EU are ongoing (paragraphs 4.3, 4.17 and Figures 16 and 17).

Concluding remarks

22 The government, departments and third parties all faced a very challenging set of circumstances at the end of the transition period. It is a significant achievement that collectively, they delivered the initial operating capability needed at the GB–EU border. However, this capability was achieved in part using temporary measures such as delaying imposing import controls, putting in place easements and providing direct financial support to businesses to help them continue to trade. The government has set its own timetable for phasing in import controls, and has revised this three times, prioritising flow over compliance. However, this cannot go on indefinitely. The current overall operating model for the EU–GB border is not sustainable, and much more work is needed to put in place a stable operating model that eliminates any risk of WTO challenge from trading partners, does not require any temporary supports, and has clarity and ease of use for border users. In the immediate term, the government and departments should focus on the following areas:

- Use the additional time from its revised timetable for introducing import controls to: address current risks, particularly relating to infrastructure and trader and haulier readiness; and provide the focused and detailed support and guidance that ports, hauliers, traders and passengers need to allow them to adapt to the new rules when these are introduced.
- Continue to monitor and understand the impact of new border arrangements on trade flows, industry sectors and the wider UK economy. This should inform a strategic approach to the withdrawal of existing support and the introduction of any further intervention or support.
- Prioritise efforts to streamline border processes and reduce the administrative burden on traders.
- Progress from an initial operating capability for the border, to one of full functionality, which is safe and secure, can facilitate trade and reduces the risk of non-compliance with WTO rules. This is of particular importance given the UK government's desire to agree trade deals with a wide range of international partners.

23 Regarding Northern Ireland, the situation is inherently very challenging both operationally and politically. The arrangements that the UK government put in place to help facilitate trade into Northern Ireland from GB have been of value. However, it is very unlikely that all the systems, infrastructure and resources could have been put in place to implement the Protocol, as originally agreed in principle with the EU in December 2020, when grace periods were due to expire on 1 October 2021. The UK government's position is that the ending of the grace periods would impose potentially unsustainable challenges for authorities and businesses. In September 2021 it announced that it intends to continue operating the Protocol on the current basis, to allow time for further discussion with the EU. It is critical that UK government departments and devolved Northern Ireland departments deliver quickly on any agreement reached between the UK and the EU and put in place the systems, infrastructure and resources required to make it work.

Part One

Preparedness for the end of the transition period

Background

1.1 On 17 October 2019, the UK and the EU concluded the Withdrawal Agreement and Political Declaration, establishing the terms of the UK leaving the EU and setting out Northern Ireland's future relationship with the EU and Great Britain (GB) (known as the Northern Ireland Protocol).[11] On 31 January 2020, the UK left the EU and entered a transition period, until 31 December 2020, during which existing rules on trade, travel and business between the UK and the EU continued to apply. During the transition period, the UK government focused on seeking to achieve two main objectives: implementing the Withdrawal Agreement, including the Northern Ireland Protocol, and agreeing the details of its future relationship with the EU, including signing a free trade agreement.

1.2 Although the Withdrawal Agreement set out the terms for the UK's departure from the EU, some of the detail, in particular in relation to the application of the Northern Ireland Protocol, remained to be agreed. The Withdrawal Agreement also established a Joint Committee, which is responsible for overseeing UK and EU implementation, application and interpretation of the Withdrawal Agreement and resolving any issues that may arise. On 8 December 2020, the UK government announced that the Joint Committee had come to an agreement in principle with the EU on the terms of implementation of the Northern Ireland Protocol.[12] On 10 December 2020, the UK government published an updated Command Paper setting out the details of the agreement.[13]

11 HM Government, *Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community*, 19 October 2019. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840655/Agreement_on_the_withdrawal_of_the_United_Kingdom_of_Great_Britain_and_Northern_Ireland_from_the_European_Union_and_the_European_Atomic_Energy_Community.pdf

12 HM Government, *Joint statement by the co-chairs of the EU-UK Joint Committee,* 8 December 2020. Available at: www.gov.uk/government/publications/eu-uk-joint-committee-statement-on-implementation-of-the-withdrawal-agreement/eu-uk-joint-committee-statement-on-implementation-of-the-withdrawal-agreement

13 Cabinet Office, *The Northern Ireland Protocol*, CP346, December 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/950601/Northern_Ireland_Protocol_-_Command_Paper.pdf

1.3 On 24 December 2020, the UK and the EU reached a Trade and Cooperation Agreement (TCA), which set out the details of the future relationship between the UK and the EU on issues including the terms of trade; fisheries policy; law enforcement and dispute settlement.[14] On 31 December 2020 the transition period ended, the new relationship between the UK and the EU began, and the Northern Ireland Protocol came into effect.

Arrangements to be implemented for the end of the transition period and beyond

1.4 In February 2020, the UK government confirmed that, regardless of the outcome of the negotiations that were at the time ongoing with the EU, at the end of the transition period, the UK would be outside the EU single market and customs union, and that the UK would have to be ready for the EU customs procedures and regulatory checks that would follow.[15] It also confirmed that the UK intended to introduce import controls on EU goods at the border from the end of the transition period. However, since then the government has decided to take a phased approach to the introduction of these controls (see Part Three).

1.5 The agreement of the TCA between the UK and the EU did not significantly affect the arrangements that the government and third parties needed to put in place to manage the border. However, the TCA did include elements which would reduce friction on trade between the UK and the EU, in comparison to a no-deal scenario. Most notable was the agreement that there should be zero tariffs or quotas on trade between the UK and the EU, where goods meet the relevant rules of origin.[16] **Figure 2** on page 21 sets out the key features of the TCA regarding trade in goods and our analysis of the impact of these on the management of the border.

1.6 In its preparations for the end of the transition period, the government focused on putting in place an initial operating capability for the border. Establishing this capability included:

- introducing new systems to replace those which the UK had access to through the EU in order to monitor the imports of goods coming in from the Rest of the World;
- extending existing arrangements to allow traders to use the Common Transit Convention (CTC) to move goods into and across customs territories without completing fiscal declarations and paying duty;[17] and

14 HM Government, *Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part*, 24 December 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf

15 HM Government, *Government confirms plan to introduce import controls*, February 2020. Available at: www.gov.uk/government/news/government-confirms-plans-to-introduce-import-controls

16 Rules to establish the country of origin of imported and exported goods and to help identify goods which qualify for lower or no customs duty.

17 Moving goods under the CTC allows traders to reduce the number of declarations they are required to make when moving goods across borders within a customs territory, and to suspend the payment of duties until goods reach their final destination.

- providing the minimum capability to enable the UK to demonstrate it is seeking to comply with World Trade Organization (WTO) rules by operating equivalent controls on EU imports and exports as for trade with the rest of the world. To comply with WTO rules the government needs to put in place controls on goods arriving in the UK from the EU in a way that is no more favourable than it does on goods arriving from the rest of the world, including from those countries with whom it does not have a free trade agreement. Alternatively, any differences would need to be justified by one of the exceptions to the Most Favoured Nation (MFN) rule as set out in the WTO treaties.[18,19] The government introduced a limited import control regime for the end of the transition period with most traders required to undertake basic customs requirements, such as keeping sufficient records of imported goods, and full customs declarations on controlled goods such as alcohol and tobacco.

1.7 As we reported in November 2020, many of the preparations that departments had to put in place for the end of the transition period built on their previous no-deal plans but there were two further elements for which departments had to undertake significant preparations.[20] (See **Figure 3** on pages 22 and 23 for significant developments since we last reported, and the current timetable for future events.):

- **Introducing a full import control regime for goods moving from the EU to GB**. In February 2020, the government announced that it intended to introduce import controls on goods moving from the EU to GB from 1 January 2021.[21] However, it has since announced three delays to the introduction of full import controls. Under the most recent timetable, announced on 14 September 2021, most import controls will be phased in between 1 January and 1 July 2022.[22] The EU has been applying a full import control regime to goods moving from the UK to the EU since 1 January 2021. Government and third parties' preparedness for the introduction of full import controls is covered in Part Three of this report.

- **Implementing the Northern Ireland Protocol**. Except for those elements covered by grace periods, the UK government and the Northern Ireland devolved administration had to introduce the Protocol in full for 1 January 2021 (details are covered in Part Four.)

18 The principles of trading under World Trade Organization rules can be found at: www.wto.org/english/thewto_e/whatis_e/what_stand_for_e.htm
19 The principle of Most Favoured Nation requires non-discrimination between trading partners and the consistent application of customs checks, tariffs and non-tariff barriers to trade.
20 Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019-21, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/report/the-uk-border-preparedness-for-the-end-of-the-transition-period/
21 HM Government, *Government confirms plan to introduce import controls*, February 2020. Available at: www.gov.uk/government/news/government-confirms-plans-to-introduce-import-controls
22 HM Government, *Government sets out pragmatic new timetable for introducing border controls*, 14 September 2021. Available at: www.gov.uk/government/news/government-sets-out-pragmatic-new-timetable-for-introducing-border-controls

Figure 2
The key features of the Trade and Cooperation Agreement as relating to trade in goods

The Trade and Cooperation Agreement does not negate the need for additional documentation and checks at the border

Key features of the Trade and Cooperation Agreement	What was agreed in the Trade and Cooperation Agreement?	Consequences for management of the UK Border
Zero tariffs on traded goods	No tariffs or quotas are to be applied to goods moving between the UK and EU, including animal products (subject to meeting rules of origin requirements).	Traders are able to trade in goods originating in the EU or UK without paying any tariffs, subject to meeting rules of origin requirements.
Rules of origin requirements	Only goods that meet the UK-EU rules of origin can be exported tariff-free. Goods must be processed (to a qualifying level) in the country of export.	Importers must obtain a statement of origin from the exporter (for example, on a commercial invoice) or have sufficient knowledge to self-certify the origin themselves. Alternatively an importer can claim preference using knowledge they have about the origin of the goods they are using, and this can be used instead of statement of origin. Exporters cannot issue a statement of origin to the importer without evidence. From 31 December 2021, exporters will also require supplier declarations.
Sanitary and phytosanitary (SPS) checks	The UK and the EU are able to independently set and regulate independent SPS rules "to protect human, animal and plant life and health" within their jurisdictions. The UK and EU are to jointly review their respective SPS border controls, with a focus on trade facilitation.	Physical SPS checks for Products of Animal Origin and HRFNAO will be required to take place at Border Control Posts from 1 July 2022. Phytosanitary certificates, pre-notification and other document checks will be required for low-risk plants and plant products from 1 July 2022. SPS checks will occur on live animals at Border Control Posts from 1 July 2022.
Customs administration	Customs declarations will be required, and new VAT rules will apply. The UK and EU are to mutually recognise 'trusted trader' schemes. There is to be cooperation at 'roll-on roll-off' ports, and in future, the possibility of sharing import and export declaration data.	Customs declarations are required for goods moving between GB and EU and goods moving from GB to Northern Ireland (NI), but the Trader Support Service can be used to complete processes for GB-NI trade.

Note

1 HRFNAO stands for High Risk Foods Not of Animal Origin.

Source: National Audit Office analysis of the Trade and Cooperation Agreement

Figure 3

Timeline showing significant developments and planned future events at the UK border between October 2020 and July 2022

Full import controls are being phased in between January 2021 and July 2022

2020

31 Oct 2020
Second national lockdown announced as result of COVID-19.

8 Dec 2020
The UK government announced that the Joint Committee had come to an agreement in principle with the EU on the terms of implementation of the Northern Ireland Protocol, which included an agreement on temporary grace periods.

10 Dec 2020
UK government published an updated Command Paper setting out the details of the agreement.

20 Dec 2020
France unexpectedly closed its border in response to COVID-19 restrictions.

24 Dec 2020
The Trade and Cooperation Agreement (TCA) was agreed by EU and UK negotiators.

30 Dec 2020
TCA signed.

31 Dec 2020
End of the transition period.

UK left the EU's single market and customs union.

2021

1 Jan 2021
The EU begins applying a full imports control regime to goods moving from the UK to the EU. The UK government originally intended to do the same. However, subsequently, this timetable was revised twice.

1 Jan 2021
The UK and the EU agreed to apply the TCA provisionally from 1 January 2021.

1 Jan 2021
The Northern Ireland Protocol operating agreement came into force.

1 Jan 2021
The Northern Ireland Department for Agriculture, Environment and Rural Affairs (DAERA) begins undertaking SPS checks on animals, plants and their products which are not covered by the grace periods.

4 Jan 2021
Third national lockdown announced as result of COVID-19.

19 Jan 2021
The government announced a £23 million Seafood Disruption Support Scheme.

3 Mar 2021
UK government extended the grace periods that it had previously agreed with the EU with regard to the Northern Ireland Protocol.

11 Mar 2021
UK government announced that it intended to revise its timetable for introducing full import controls on goods arriving from the EU.

15 Mar 2021
The government announced a £20 million small and medium-sized business (SME) Brexit Support Fund.

Source: National Audit Office analysis of government announcements

21 Jul 2021
The UK government published a new Command Paper proposing significant changes to the Northern Ireland Protocol to reduce the number of checks.

6 Sep 2021
UK government announced that it was extending the grace periods on the current basis.

14 Sep 2021
UK government announced further delays to its timetable for sanitary and phytosanitary elements of import controls.

1 Oct 2021
Most EU, EEA and Swiss citizens now require a passport to enter the UK. Citizens who are not entitled to enter the UK on an ID card from 1 October are liable to be refused entry.

13 Oct 2021
The EU proposed bespoke arrangements for the operation of the Northern Ireland Protocol.

2022

1 Jan 2022
Customs import declarations required for non-controlled goods from the EU, and the option to use the deferred declarations scheme, including submitting supplementary declarations up to 175 days from the time of import, ends.

1 Jan 2022
Pre-notification of products of animal origin, animal by-products and some high-risk foods will be required.

1 Jul 2022
Documentary and physical checks will take place on animal products, high-risk food not of animal origin and high-risk plants at Border Control Posts.

1 Jul 2022
Pre-notification for low-risk plants and plant products required.

Safety and security declarations for imports required.

1 Jul 2022
Checks at Border Control Posts will take place on live animals and low-risk plants and plant products.

Key

- Key dates for the GB–EU border
- Key dates regarding the Northern Ireland Protocol
- Wider developments

Note

1 TCA stands for Trade and Cooperation Agreement. SPS stands for sanitary and phytosanitary. EEA stands for European Economic Area.

1.8 The phased introduction of import controls includes temporary easements, which government put in place to provide additional time for most traders and other third parties to prepare. These easements also provide additional time for the government to put in place some of its own preparations. Examples of significant temporary easements relating to goods moving from the EU to GB include:

- traders importing most goods between 1 January 2021 and 31 December 2021 have been able to use simplified customs procedures to delay their full customs declaration, and the payment of any tariff due, by up to 175 days;[23]
- until 1 January 2022 businesses do not need to hold suppliers' declarations as to the origin of the goods they are importing to claim a preferential tariff rate under the TCA. However, they must make every effort to be able to obtain suppliers' declarations retrospectively; and
- until 1 July 2022 safety and security declarations on imports are not required.

Preparedness at the GB–EU border for the end of the transition period

1.9 The government, traders and hauliers, and the border industry all had to prepare for the end of the transition period.[24] For example, departments needed to make changes to systems, infrastructure and resources and to provide guidance and support; traders and hauliers needed to familiarise themselves with their new responsibilities; and those in the border industry needed to make changes to facilitate the new compliance regime. All stakeholders will need to continue making changes as full import controls are introduced.

23 This does not apply to traders importing controlled goods, such as alcohol or tobacco, or those with a poor compliance history.
24 The border industry includes, for example, ports, ferry providers, airlines, freight forwarders and community systems providers.

Government preparedness at the GB–EU border

1.10 Since the UK's decision to leave the EU in 2016 we have reported five times on the management of the border.[25] Since we reported in October 2018, the government has always focused on putting in place a minimum operating capability for the border, on which it intends to build. However, the nature of that capability and the risks associated with it have changed over time. For example, when we reported in October 2018, 11 of the 12 key border-related systems on which the Border Delivery Group were reporting were at risk of not being delivered on time and to acceptable quality for the March 2019 deadline.[26] When we last reported in November 2020, only two of the nine systems on which the Border and Protocol Delivery Group (BPDG) were reporting were considered at risk.[27] Departments achieved this reduction in risk both through using the additional time between the various deadlines to improve on their plans and also by prioritising only essential elements to be delivered for the end of the transition period. The operating capability for January 2021 included some additional elements, such as limited import controls over controlled goods and some improvements in the functionality of systems, which were not included in earlier models. Therefore, we now refer to government's current model as an initial operating capability rather than a minimum operating capability. However, there remains considerable work to do to move beyond this initial capability to one of full functionality (see Part Three).

25 Comptroller and Auditor General, *The UK border: Issues and challenges for government's management of the border in light of the UK's planned departure from the European Union,* Session 2017-2019, HC 513, National Audit Office, October 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/10/The-UK-border.pdf; Comptroller and Auditor General, *The UK border: preparedness for EU exit*, Session 2017-2019, HC 619, National Audit Office, October 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/10/The-UK-border-preparedness-for-EU-exit.pdf; Comptroller and Auditor General, *The UK border: preparedness for EU exit update*, National Audit Office, February 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/02/The-UK-border-preparedness-for-EU-exit-update.pdf; Comptroller and Auditor General, *The UK border: preparedness for EU exit October 2019*, Session 2019-20, HC 98, National Audit Office, October 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/10/The-UK-border-preparedness-for-EU-exit-October-2019.pdf; Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019-2021, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/wp-content/uploads/2020/11/The-UK-border-preparedness-for-the-end-of-the-transition-period.pdf

26 Comptroller and Auditor General, *The UK border: preparedness for EU exit,* Session 2017-2019, HC 619, National Audit Office, October 2018, Paragraph 13. Available at: www.nao.org.uk/wp-content/uploads/2018/10/The-UK-border-preparedness-for-EU-exit.pdf

27 Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period,* Session 2019–2021, HC 371, National Audit Office, November 2020, Figure 7. Available at: www.nao.org.uk/wp-content/uploads/2020/11/The-UK-border-preparedness-for-the-end-of-the-transition-period.pdf

1.11 As shown in **Figure 4** on pages 28 and 29, with two minor exceptions, departments delivered everything they had planned when we last reported in November. The minor exceptions were that the Ashford Sevington site was not ready to operate to facilitate transit movements for 1 January 2021, which instead occurred at the contingency site at Ashford Waterbrook, and that there were approximately 600 fewer staff working in HM Revenue & Customs (HMRC) in EU Exit and border-related roles than it had anticipated would be required in November. HMRC told us this was because it had revised its assumptions and therefore had a lower staffing requirement than anticipated. As the Chief Operating Officer of the Civil Service noted at the Committee of Public Accounts in January 2021, delivery of the model relied on "extraordinary efforts" across government to complete preparations just in time for the end of the transition period.[28]

Third party readiness

Trader readiness

1.12 The most significant risk to the operation of the border from 1 January 2021 was that traders and hauliers would not be ready. The government undertook a significant programme of work to encourage traders and others to get ready. This included:

- running communications campaigns;[29]
- publishing a Border Operating Model;[30]
- setting up a team to give one-to-one support over the phone to high-value traders and their supply chains;
- holding webinars;[31] and
- undertaking targeted measures such as writing directly to businesses to encourage them to get ready.[32]

28 HC Committee of Public Accounts, *Oral evidence: UK Border 2021: Update,* HC 1154, January 2021. Available at: https://committees.parliament.uk/oralevidence/1669/default/
29 The government launched its public information campaign, "The UK's new start: let's get going" on 13 July 2020. Further details can be found at: www.gov.uk/government/news/major-new-campaign-to-prepare-uk-for-end-of-the-transition-period
30 HM Government, *The Border with the European Union, Importing and Exporting Goods,* 13 July 2020. This has been subsequently updated and the most up to date version can be found at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004070/2021_July_BordersOPModel_Publishing__2_.pdf
31 HM Government, *Webinars and videos for organisations that trade with the EU,* 23 September 2020, Available at: www.gov.uk/guidance/help-and-support-if-your-business-trades-with-the-eu
32 For example, on 5 November 2020, HMRC sent 250,000 letters and emails to VAT-registered traders urging them to act to avoid disruption to their businesses.

1.13 Despite this activity, third-party readiness continued to be a significant risk up to the end of the transition period. In its final report in advance of the end of the transition period, on 15 December 2020, BPDG rated trader readiness outcomes for the end of the transition period as red and border industry as amber-red. At that point, government survey data showed that more than 70% of high-value traders were planning for or investing in being ready for the end of the transition period, but that this number fell to between 50% and 60% for smaller traders. Analysis conducted by departments into why more traders did not prepare showed that some reasons included: a lack of trust in government to advise them on EU withdrawal; pressure as a result of the COVID-19 pandemic; uncertainty about the nature of the final deal; and "fatigue" in the business community.

1.14 Trader representative organisations told us that traders' ability to prepare was hampered by late guidance and decision-making. In particular, the late agreement of the TCA meant that they had little time to understand and digest some of the detail of what they were required to do. For example, the Confederation of British Industry told us that businesses had three working days to prepare after the signing of the TCA, working through a 500-page document, with little real guidance. Several organisations told us that their members had difficulty with rules of origin requirements, with which traders must comply to be able to trade without tariffs (see paragraphs 2.14 and 2.15).

1.15 The government recommended that traders find a customs intermediary to help them prepare and deal with some of the complexities of the new arrangements. We have previously highlighted a potential lack of capacity in the intermediary market as a significant risk. Since 2018, the government has announced £84 million of support to the intermediary market, all of which has been claimed.[33] Research commissioned by the government did not consider whether or not there had been any increase in the overall number of intermediary firms but did show that existing firms have increased their capacity to make declarations.[34]

33 HM Government, *Applications open for £50 million funding to boost UK customs intermediaries,* 29 July 2020, Available at: www.gov.uk/government/news/applications-open-for-50-million-funding-to-boost-uk-customs-intermediaries

34 HM Revenue & Customs and Ipsos MORI, *Research into the customs intermediaries sector, Wave 1 summary report*, November 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936949/HMRC_Research_Report_599_Customs_Intermediaries_Wave_1.pdf; HM Revenue & Customs and Ipsos MORI, *Research into the customs intermediaries sector, Wave 2 summary report*, February 2021. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/968978/HMRC_Research_Report_610_Customs_Intermediaries_Wave_2.pdf

Figure 4

An overview of departments' deliveries against the key systems, infrastructure and resources planned for 1 January 2021

Departments delivered the vast majority of their planned systems, infrastructure and resources in advance of 1 January 2021

	Preparations that government needed to put into place for 1 January 2021 as reported in our November 2020 report	Final state of preparedness as of 1 January 2021
Systems New and upgraded systems were needed to: ● replace those to which the UK previously had access through the EU to monitor goods coming in from the rest of the world; ● support the first phase of the introduction of import controls on goods arriving from the EU; and ● enable the movement of goods under the Common Transit Convention (CTC).	Delivery of, or changes to, the following key border systems were planned: HMRC ● The Customs Handling of Import and Export Freight **(CHIEF)** used by traders to submit customs declarations to HMRC. ● New Computerised Transit System **(NCTS)** used to facilitate transit movements under the CTC. ● Goods Vehicle Movement Service **(GVMS)** used to provide Office of Transit functionality to support transit movements. ● Excise Movement and Control System **(EMCS)** used to record duty suspended movement of excise goods. ● Safety and Security GB **(S&S GB)** used to submit safety and security declarations for imports to the UK. Defra ● Import of Products, Animals, Food and Feed System **(IPAFFS)** used to monitor and control the import of these goods from the EU and the rest of the world. ● Export Health Certificates Online **(EHCO)** used to record Export Health Certificates. ● Legacy systems **(PEACH and e-Domero)** used to apply for plant and food health certificates and services. ● The Automatic Licence Verification System **(ALVS)** used to provide a link between CHIEF and IPAFFS to enable port health authorities and the Animal and Plant Health Agency to communicate the results of biosecurity and food safety checks to HMRC. Department for International Trade ● The Tariff Application Platform **(TAP)** used to transmit the Department for International Trade's tariff data to HMRC for the calculation of duties at the border. Border and Protocol Delivery Group ● **Check an HGV** used to inform heavy goods vehicle drivers if they are border ready.	All new systems and planned changes to existing systems were delivered.

Figure 4 *continued*

An overview of departments' deliveries against the key systems, infrastructure and resources planned for 1 January 2021

	Preparations that government needed to put into place for 1 January 2021 as reported in our November 2020 report	Final state of preparedness as of 1 January 2021
Infrastructure New infrastructure was needed to: • enable new checks as part of the phased introduction of the new import control regime; • enable the movement of goods under the CTC; and • manage traffic in the event of disruption at the border.	Provision of infrastructure at the following seven inland sites was planned: • **Ashford Waterbrook** (Transit). • **Ebbsfleet** (Transit). • **North Weald** (Transit). • **Ashford Sevington** (Multi-functional and transit). • **Warrington** (Transit). • **Manston** (Transit and traffic management). • **Birmingham Airport** (Transit). In addition, the Department for Transport (DfT) planned to put in arrangements to queue lorries on the A20, the M20 and the A256. In total, DFT anticipated that these arrangements, in combination with the traffic management facilities at Ashford Sevington and Manston, would provide capacity to queue up to 10,150 lorries.	• DfT, which is responsible for the delivery of traffic management facilities, including at Ashford Sevington and Manston, reported that the infrastructure it planned to open was up and working by 1 January 2021. • HMRC, which was responsible for the delivery of transit sites, reported that it had put in place its minimum day one requirements for 1 January 2021 and was working to bring these up to interim operating capability by the end of January. Ashford Sevington was not available for transit movements which instead took place at Ashford Waterbrook.
Resources Additional staff were needed to manage the border in roles including: • compliance activity; • customer support; • policy development; • digital support; and • staffing of inland sites.	• **HMRC** (A wide variety of roles including compliance activity, customer support, policy development, digital support and staffing of inland checking sites). Around 7,300 permanent staff and 1,400 non-permanent staff by the end of December 2020. This includes around 800 contingent labour for inland sites. • **Border Force** (Compliance activity relating to customs and transit) 1,520 FTE to be in place by December 2020. • **Animal and Plant Health Agency** (Plant health and seed inspections) 210 FTE to be in place by December 2020.	• HMRC had 6,800 permanent staff and 1,300 contractors working on EU exit at the end of December 2020. This is 600 fewer staff than HMRC had anticipated that it would need when we last reported. • Border Force had the 1,570 staff it wanted in place for 1 January 2021 (1,520 for GB plus a further 50 for Northern Ireland). • APHA had the 210 staff it wanted in place for January 2021.

Notes

1 The transition period lasted from 31 January 2020 to 31 December 2020.

2 HM Revenue & Customs revised its assumptions and had a lower staffing requirement than anticipated.

Source: National Audit Office analysis of department documents

1.16 Organisations representing traders and the logistics industry have continued to express concern about some aspects of the intermediary market. For example, in April 2021, the Road Haulage Association told us that there was a shortage of staff with sufficient customs experience which hampered the more complex movements, often involving sanitary and phytosanitary (SPS) and rules of origin checks. Make UK told us that finding the right intermediary was a challenge and that customs agents were struggling to answer a lot of queries from traders. In March 2021, HMRC told us that it considered that there is sufficient capacity in the market, but it is not always easy for traders to find the most appropriate intermediary for their needs. In June 2021, HMRC updated its published list of customs intermediaries to include available information about the services they provide and whether they can take on new clients.[35] As of 30 September 2021, there were 1,486 on this list; 782 intermediaries reported they could take on new clients, 31 said they could not, and in 673 cases intermediaries' capacity to take on new clients was unknown.

Haulier readiness

1.17 Prior to the end of the transition the government put in place arrangements to reduce the likelihood of queues of heavy goods vehicles (HGVs) approaching the short Channel crossings including publishing a haulier handbook in 13 different languages and establishing 45 advice sites across GB, as well as creating a dedicated haulier website with live chat support.[36] In addition, BPDG introduced the Check an HGV service to enable hauliers to check and self-declare that they had the correct documentation to get through EU import controls. Use of the scheme was mandatory for those hauliers who intended to use the short Channel crossings, who had to use it to obtain a Kent Access Permit to travel through Kent.

1.18 The Kent Access Permit scheme operated from 1 January 2021 to 20 April 2021. During that time, 560,000 permits were issued, and some 6,200 HGVs identified as not being ready for EU border controls were turned back from the short Channel crossings. In January 2021, the percentage of HGVs turned back from the short Channel crossings either because they did not have the correct paperwork or had not completed a negative COVID-19 test reached 8%, but by March this had declined to around 1% as hauliers became more familiar with new border arrangements. Some stakeholders were not convinced that the scheme was particularly helpful. For example, the Road Haulage Association told us that it was not convinced of the need for it and that, while the scheme was helpful during January, it could have been abandoned earlier. The government and Kent Local Resilience Forum view the scheme as a success, as it was a contributing factor in preventing unready hauliers from attempting to travel to the border.

35 HM Revenue & Customs, *Search the register of customs agents and fast parcel operators*, 14 October 2019. Available at: www.gov.uk/guidance/list-of-customs-agents-and-fast-parcel-operators
36 HM Government, *Hauliers get border-ready with 45 new information and advice sites,* 18 November 2020. Available at: www.gov.uk/government/news/hauliers-get-border-ready-with-45-new-information-and-advice-sites

Establishing contingency arrangements and resolving issues arising at the border

1.19 In advance of the end of the transition period, BPDG established a Border Operations Centre to provide information to help government ensure goods and trade continued to flow smoothly. From 1 January 2021, the Centre began producing daily reports for ministers at the XO Committee, department officials and key local resilience forums.[37] These reports brought together information from across departments and border locations on aspects of border operations such as outbound and inbound freight numbers; number of Kent Access Permits issued; the number of HGVs turned back from ports because they did not have the correct documentation, or had not undertaken a COVID-19 test; and issues which needed resolution. HMRC and the Department for Environment, Food & Rural Affairs (Defra) also produced their own daily reports. **Figure 5** overleaf sets out examples of issues arising in this reporting and departments' actions to resolve them. BPDG also established a process for working with EU officials in key member states to solve technical and operational issues as they arose. This process commenced from January 2021 and included live resolution of issues; bilateral working groups to look into problematic issues in more depth; and daily calls with French officials to capture, monitor and analyse border flow statistics and respond as appropriate.

1.20 The Department for Transport, working with Kent Local Resilience Forum and other government and private sector partners, implemented arrangements to hold and divert traffic (Operation Brock) as they had done ahead of previous deadlines, in the event of significant disruption at the approach to the short Channel crossings.[38] These arrangements were intended to be ready from the end of the transition period but, in the event, had to be activated earlier than planned when France unexpectedly closed its border on 20 December 2020 in response to COVID-19 restrictions. Stakeholders, including the Road Haulage Association, told us they were very impressed with the way that government departments and others worked together to manage this situation. This was also a helpful exercise to test arrangements ahead of the end of the transition period.

37 The XO Committee is the EU Exit Operations Committee. Its terms of reference are to implement the Withdrawal Agreement and deliver the policy and operational transition to new international relationships.

38 Operation Brock is one of the Kent Resilience Forum's (KRF's) traffic management response plans for periods of severe and protracted disruption to the flow of traffic between the UK and France through Eurotunnel and the Port of Dover (the short Channel crossings). The plans are designed to keep the M20 motorway in Kent open in both directions via the use of a contraflow, with access to junctions.

Figure 5

Examples of issues identified by departments after the end of the transition period and the extent to which they were resolved

Departments were able to resolve or partially resolve these operational issues relating to the management of the border

Issues arising	Actions taken	Outcome
Transit routing errors An issue with NCTS (New Computerised Transit System) was routing hauliers to the orange lane in the EU (France) requiring manual checks. This was caused by hauliers changing their arrival destination to an alternative from that on their transit forms.	Following NCTS testing and further investigation with French officials a data entry error was identified as the issue. HMRC issued communications stressing the importance of specifying the Office of Transit correctly on documentation and worked with the French authorities to put in place a temporary fix, whilst working on a longer-term fix.	Resolved.
Lack of documentation EU Member States reported issues with sanitary and phytosanitary (SPS) and customs procedures, with freight returned to UK, particularly from the Netherlands and France. The main issues were the absence or incorrect completion of three types of required documentation, with some but not all goods, requiring all three: an Export Health Certificate (EHC); Phytosanitary Certificate (PC); and Common Health Entry Document (CHED).	Webinars were held including one on 14 January by Cabinet Office (BPDG) entitled 'BPDG Short Straits GB – EU' which attracted over 2,000 participants and more than 500 technical questions, many of which were answered in the live event.	Partially resolved on the basis that was an ongoing issue which required education over a longer period of time.
Plant documentation An error with the HM Revenue & Customs (HMRC) CHIEF system in the early days of January 2021 was requesting Phytosanitary Certificates for plant imports and exporters when these were not due to become a requirement until April 2021. This issue was first reported by the Department for Environment, Food and Rural Affairs (Defra) on 5 January.	A workaround was initially developed by HMRC and the Department for International Trade (DIT) but this did not fully resolve the issue. A resolution took longer than expected with 280 blocked customs entries reported by Defra on 9 January – the target resolution time was then identified as 17:00 on 11 January. By 11 January plant exports and imports were reported as currently flowing as expected, with the backlog cleared by 12 January.	Resolved.
Groupage On 15 January groupage consignments were partially suspended from the Larkhall logistics hub in Scotland until the following Monday (18 January). This was partly due to Border Control Post (BCP) concerns regarding load weight discrepancies caused by live shellfish dying on route.	Groupage restarted at Larkhall on 18 January, but with limited effect. Meetings then took place between Defra, Food Standards Scotland and stakeholders aimed at finding solutions to the issues affecting groupage of consignments. Groupage arrangements were put back in place but some delays persisted.	Partially resolved on the basis that delays persisted.

Notes

1 The transition period lasted from 31 January 2020 to 31 December 2020.

2 Orange lane is the term used in France to describe the lane where HGVs are diverted to that: do not have the necessary paperwork; who need to confirm the export procedure; or have been selected for customs, SPS or other checks.

Source: National Audit Office analysis of internal reporting by Department for Environment, Food & Rural Affairs, HM Revenue & Customs and Cabinet Office

1.21 Since the closure of the French border, there has not been significant disruption at the short Channel crossings (see Part Two), and only some elements of the government's planned contingency arrangements have been required. For example, Operation Brock has been in operation twice since January 2021. This happened once between December 2020 and April 2021 and again in July 2021 for a two-week period at the start of the summer holidays as a precaution. However, the full capacity provided by the government's traffic management plans of 10,150 has not been required since the end of the transition period. There was little demand for the additional freight capacity procured to facilitate the flow of essential goods such as medicines in the event of disruption. Nor has the government had to activate its plans to enable fresh and live seafood for human consumption and day-old chicks to bypass traffic restrictions. The Department for Transport had leased Manston Airport until 30 June 2021, which it planned to use to hold up to 4,000 HGVs in the event of disruption. The Department decided against seeking to extend that lease.

Part Two

The impact of new border arrangements

2.1 At the end of the transition period the new border controls agreed in the Trade and Cooperation Agreement (TCA) began to operate. This part examines:

- UK imports and exports to the EU;
- the impact of controls on specific sectors;
- government efforts to reduce the impact of new border controls; and
- the impact on passengers crossing the border.

2.2 The end of the transition period occurred during the global COVID-19 pandemic, which had led to three UK-wide lockdowns.[39] The pandemic has disrupted labour markets and supply chains across the world, leading to skills shortages and rising business and trading costs, including in the UK.[40] While the pandemic will have led to lower volumes of trade between the UK and the EU, evidence also suggests that some staff shortages, such as in relation to heavy goods vehicle (HGV) drivers, and disrupted trade flows have been exacerbated by the ending of the transition period.[41] To understand the effects, the government and the Office for National Statistics (ONS) have been benchmarking 2021 data against data from 2018, which is the last 'normal' year where trade flows were not impacted by either COVID-19 or preparations for the UK leaving the EU. Trade volumes between the UK and the EU continue to be affected by both the pandemic and EU Exit and the ONS has noted that it is difficult to disentangle their effects.[42]

39 Institute for Government, *Timeline of UK coronavirus lockdowns, March 2020–March 2021,* 9 April 2021. Available at: https://www.instituteforgovernment.org.uk/sites/default/files/timeline-lockdown-web.pdf

40 Centre for Economic Performance, London School of Economics, *The impacts of Covid-19 and Brexit on the UK economy: early evidence in 2021*, May 2021, executive summary. Available at: https://cep.lse.ac.uk/pubs/download/cepcovid-19-021.pdf

41 Logistics UK, *The Logistics Report Summary 2021*. Available at: https://logistics.org.uk/CMSPages/GetFile.aspx?guid=68631c02-c41f-40e8-99b3-fa9b60832742&lang=en-GB

42 The Office for National Statistics, *The impacts of EU exit and the coronavirus on UK trade in goods*, 25 May 2021. Available at: www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/theimpactsofeuexitandthecoronavirusonuktradeingoods/2021-05-25

2.3 There are many categories of data on activity at the UK border, from different sources:

- Government departments collect real-time data on border flows, for example, on the number of HGVs crossing the border, to allow them to carry out operations at the border and identify issues as soon as they arise. Most of this is not published, although it can form the basis for future statistical releases.
- Statistical agencies in the UK, Ireland and the EU all publish official trade statistics and a range of other survey data illustrating changes in economic activity, usually several months after the period.
- Individual ports, carriers, businesses, and their representative organisations have published ad-hoc data on trade and economic activity in their specific areas.

Differences in definitions, data collection, survey methodology, validation arrangements and timescales covered mean that data from different sources may not always reconcile. This, combined with the difficulty identifying the reason for changes to economic activity, means that the overall impact of the end of the transition period is still emerging. This Part presents a selection of data from a range of sources to examine the impact of the end of the transition period on economic activity so far.

UK imports and exports to the EU

The impact on the movement of freight at roll-on, roll-off (RORO ports)

2.4 Before the end of the transition period, the government agreed a set of reasonable worst-case planning assumptions about the impact on traffic flow at the border of any disruption resulting from the implementation of import controls by the EU.[43] The government estimated that between 40% and 70% of loaded lorries reaching the short Channel crossings would not be ready for EU controls, with a risk that queues of up to 7,000 trucks could form in Kent. The assumptions included an increase in disruption during the first two weeks of January before diminishing over the following three months as traders and hauliers got used to the new requirements.

43 Cabinet Office, *Reasonable Worst Case Scenario for borders at the end of the transition period on 31 December 2020*, 23 September 2020. Available at: www.gov.uk/government/publications/reasonable-worst-case-scenario-for-borders-at-the-end-of-the-transition-period-on-31-december-2020

2.5 Ensuring RORO freight flows freely through ports has been a particular focus for departments given that any checks of vehicles can cause traffic to build at ports.[44] Since the end of the transition period, the Border and Protocol Delivery Group (BPDG) has been monitoring daily flows of RORO traffic through the short Channel crossings. These reports show that the reasonable worst-case scenario for queues did not materialise, and there were no significant queues at the crossings after the transition period ended. Factors contributing to this are likely to include some suppression of traffic flows because of stockpiling; traders' wariness about the new controls; and the impact of the pandemic on traffic flow, including unusually low volumes of passenger traffic, which have meant that there is more checkpoint capacity available for HGVs at ports.

2.6 There was a sharp fall in Great Britain (GB) outbound and inbound RORO freight in January 2021, with volumes falling to just 75% and 76% respectively, of levels seen in January 2020.[45] BPDG reported that overall RORO traffic volumes had largely recovered by March 2021. Overall, inbound and outbound GB HGV traffic between January and June 2021 were 5.8% and 6.7% lower respectively than in the same period in 2018 (**Figure 6** on pages 38 and 39).

2.7 Government data show that the estimated percentage of outbound HGVs running empty has increased significantly since the end of the transition period.[46] In the first week of January 2021, around 66% of HGVs left GB empty, nearly double the percentage seen in the first week of 2018. Since January, the number of trucks leaving GB carrying goods (loaded) has increased but the number of loaded trucks and the total tonnage carried remain well below 2018 levels (**Figure 7** on page 40). Between January and June 2021 55% of HGVs leaving GB for the EU were loaded, compared with 66% over the same period in 2018. Such a fall has not occurred in inbound traffic, where HGV loading and tonnage carried in January to July are comparable between 2018 and 2021.

44 Roll-on, roll-off (RORO) refers to the way that freight is loaded and unloaded –that is, it is usually driven on or off the ferry or train.
45 Data do not include RORO freight going through the Channel Tunnel.
46 HGVs can run empty for several reasons. For example, HGVs making multiple drops often have to return empty to depot, while specialised HGVs such as refrigerated trucks or chemical tankers have more limited opportunities to pick up a load.

2.8 The initial fall in RORO volumes seen in January 2021 for most major GB trade routes had largely recovered by March 2021, but this was not the case for all routes. For example, data collected by BPDG on RORO freight movements in the Welsh ports of Holyhead, Pembroke and Fishguard – which handle a high percentage of GB–Ireland trade – showed movements were down around 25% in the first half of 2021 compared with the same period in 2018. Statistics published by the Irish Maritime Development Office (IMDO) also show that GB–Ireland movements have declined significantly. The IMDO found that the volume of RORO movements in the first half of 2021 were 29% lower than in the first half of 2019.[47,48] This is likely to be partially accounted for by a significant decline in the use by Irish importers and exporters of the 'land bridge', which connects them to international markets via the UK roads and ports network, as a result of the new customs and trading arrangements, and a reduction in the number of Northern Ireland (NI) traders routing their exports to the UK and the EU through Ireland. Meanwhile, for the south coast ports of Newhaven, Poole and Portsmouth, data collected by BPDG showed total HGV movements between January and June 2021 were collectively down 29% on the same period in 2018.

The impact on the total trade in goods

2.9 ONS data shows that, in January 2021, total exports of goods from the UK to the EU fell a record £6.5 billion (44%) compared with December 2020, while imports of goods from the EU fell a record £7.7 billion (33%), the largest monthly falls in either time series since records began in January 1997 (**Figure 8** on pages 41 to 43).[49,50] However, the ONS has noted these reductions may have been artificially inflated by increases in stockpiling in advance of the end of the transition period. Comparing quarterly data provides a more balanced view of changes. ONS data on the UK's total trade in goods with the EU (exports plus imports) show that, when comparing Quarter (Q) 4 2020 against Qs 1 and 2 2021 there was a 23% (£25.4 billion) and 13% (£14.3 billion) fall respectively.[51] The ONS has also compared figures for 2021 against 2018. Total trade in goods between the UK and the EU was 25% (£27.5 billion) less in Q1 and 15% (£17.0 billion) less in Q2, when compared with the equivalent quarters in 2018.[52]

47 Irish Maritime Development Office, *Unitised Traffic Report Q2 2021,* July 2021. Available at: www.imdo.ie/Home/site-area/statistics/quarterly-statistics/quarterly-statistics
48 The IMDO's data include routes to Ireland from Pembroke, Fishguard, Holyhead, Liverpool and Heysham.
49 Office for National Statistics, *UK trade: August 2021*, 13 October 2021. Available at: www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/august2021
50 This measure relates to the total value of goods traded through any route and is not specific to RORO ports. UK trade data used include non-monetary gold (gold that is not held as a reserve asset by a monetary authority), are chained volume measures (reference year 2019) calculated on a balance of payments basis. Data are seasonally adjusted.
51 Office for National Statistics, *UK trade: August 2021,* 13 October 2021. Available at: www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/august2021
52 Office for National Statistics, UK trade: August 2021, 13 October 2021. Available at: www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/august2021

Figure 6

Heavy Goods Vehicle (HGV) movements outbound and inbound between Great Britain and the EU from 2018 to 2021

The volume of HGV movements between GB and EU fell sharply in January 2021, as in previous years, but unlike previous years flows took longer to recover

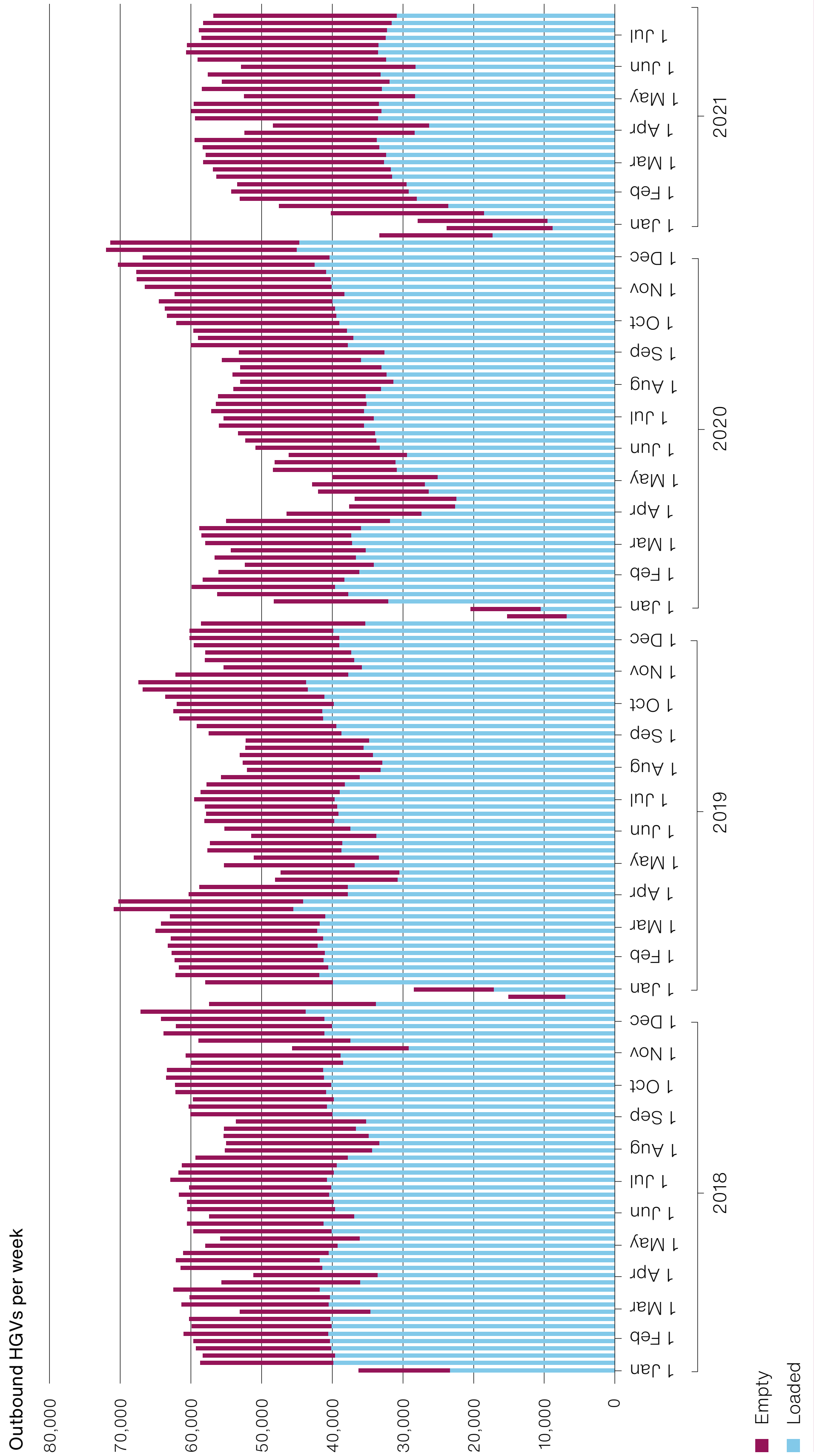
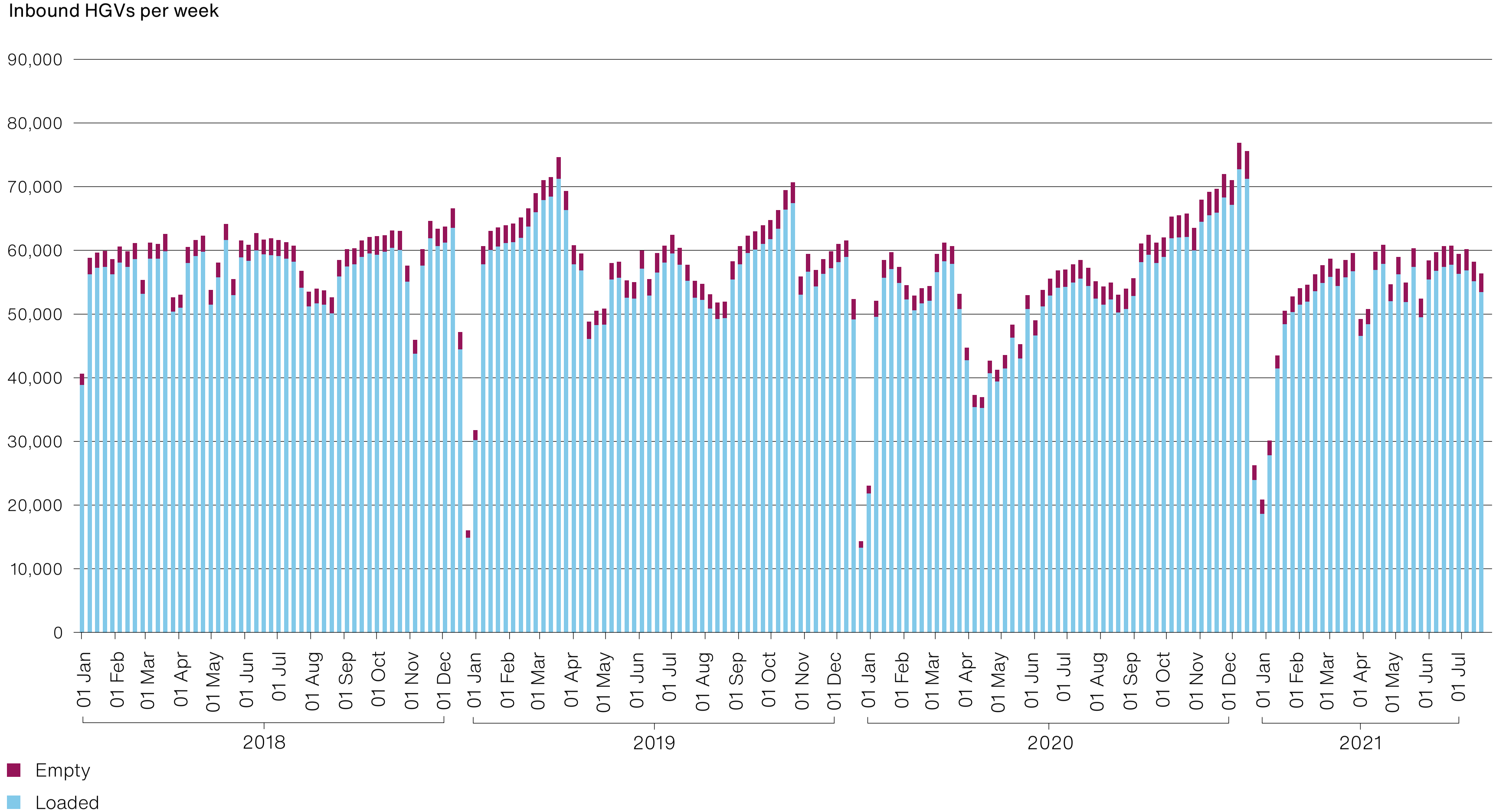


Figure 6 *continued*

Heavy Goods Vehicle (HGV) movements outbound and inbound between Great Britain and the EU from 2018 to 2021



Notes

1 Data based on HGV traffic between 22 ports in Great Britain and 24 ports in the EU.

2 Data do not include Eurotunnel.

3 Data are obtained from ferry manifests and may be partial or contain errors. It was used as an indicator for internal management reporting.

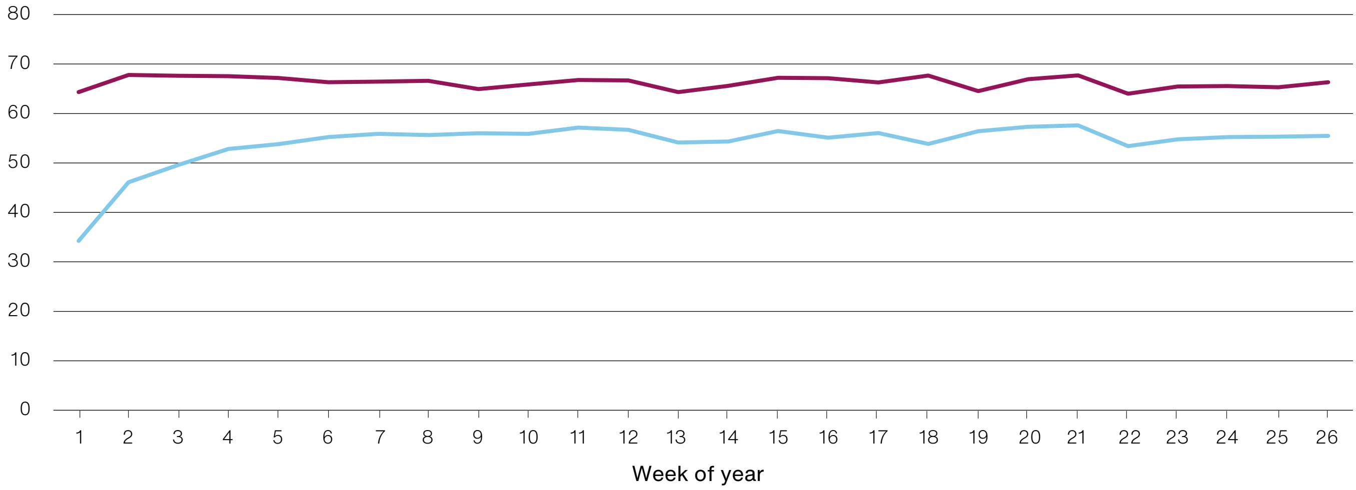
Source: National Audit Office analysis of Border and Protocol Delivery Group data

Figure 7

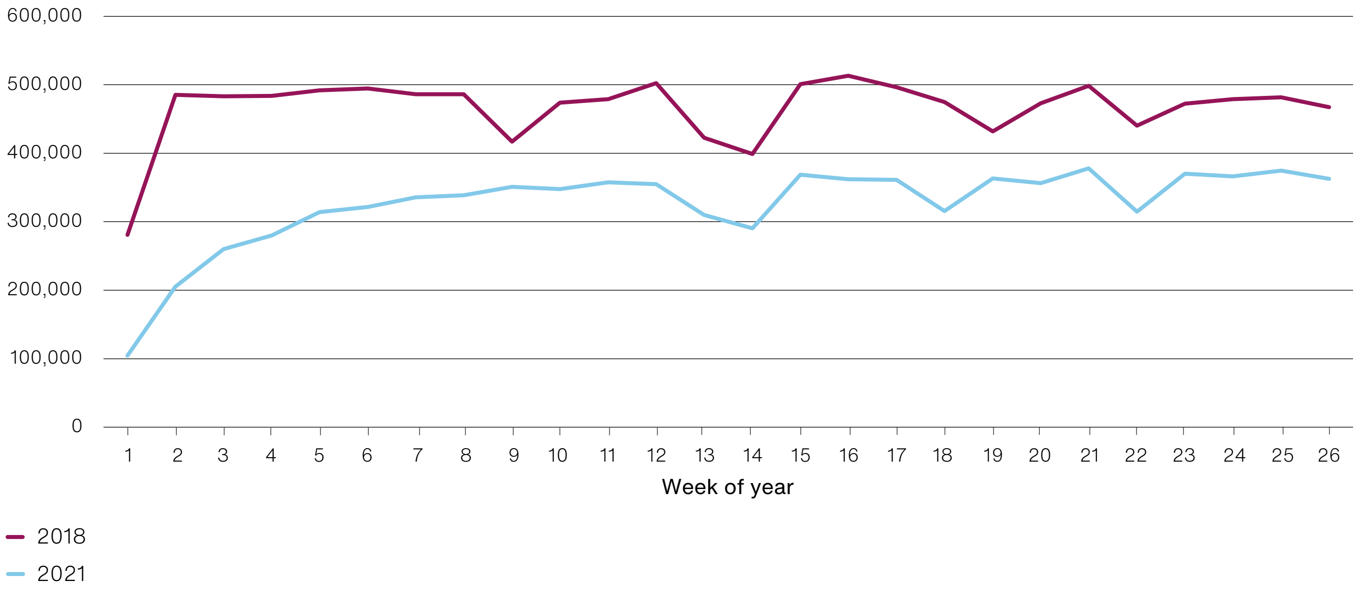
Outbound Heavy Goods Vehicles (HGVs) loaded and tonnage carried in 2018 and 2021

The percentage of HGVs loaded and total tonnage carried from Great Britain to the EU increased throughout 2021, but are less than at the same point in 2018

Percentage of outbound HGV's travelling from GB to EU loaded, by week (%)



Total assumed tonnage carried from GB to EU, by week



Notes

1 Data based on HGV traffic between 22 ports in Great Britain and 24 ports in the EU.

2 Data do not include Eurotunnel.

3 Data are presented by week of the year since calendar dates for 2018 and 2021 did not align.

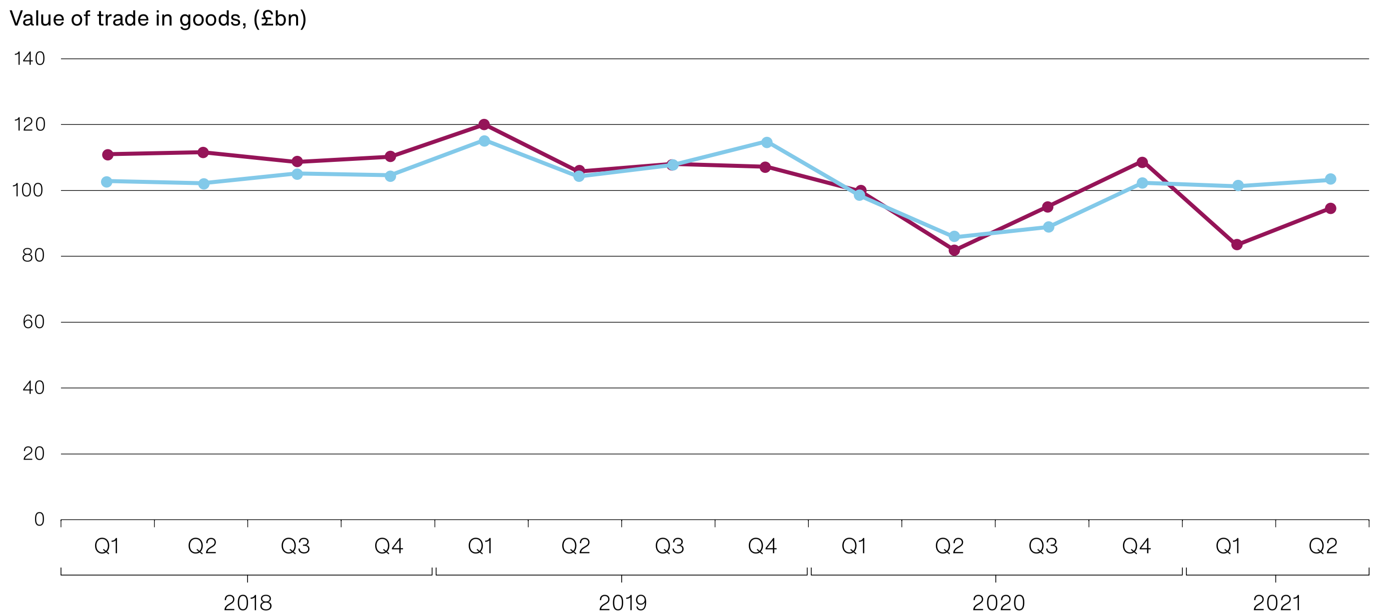
Source: National Audit Office analysis of Border and Protocol Delivery Group data

Figure 8

UK trade in goods to EU and non-EU countries between January 2018 and June 2021

Value of UK exports and imports to the EU showed unprecedented declines in January 2021, which were not matched to the same degree by falls in trade with non-EU countries

Total trade in goods (exports plus imports), Quarter 1 (January to March) 2018 to Quarter 2 (April to June) 2021



	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Total UK trade in goods with EU countries	110.88	111.45	108.54	110.08	119.86	105.62	107.96	107.08	99.67	81.77	95.13	108.77	83.34	94.50
Total trade in goods with non-EU countries	102.76	102.06	105.04	104.53	115.13	104.09	107.62	114.76	98.17	85.69	88.77	102.22	101.17	103.08

Figure 8 *continued*

UK trade in goods to EU and non-EU countries between January 2018 and June 2021

UK goods imports to EU and non-EU countries by month

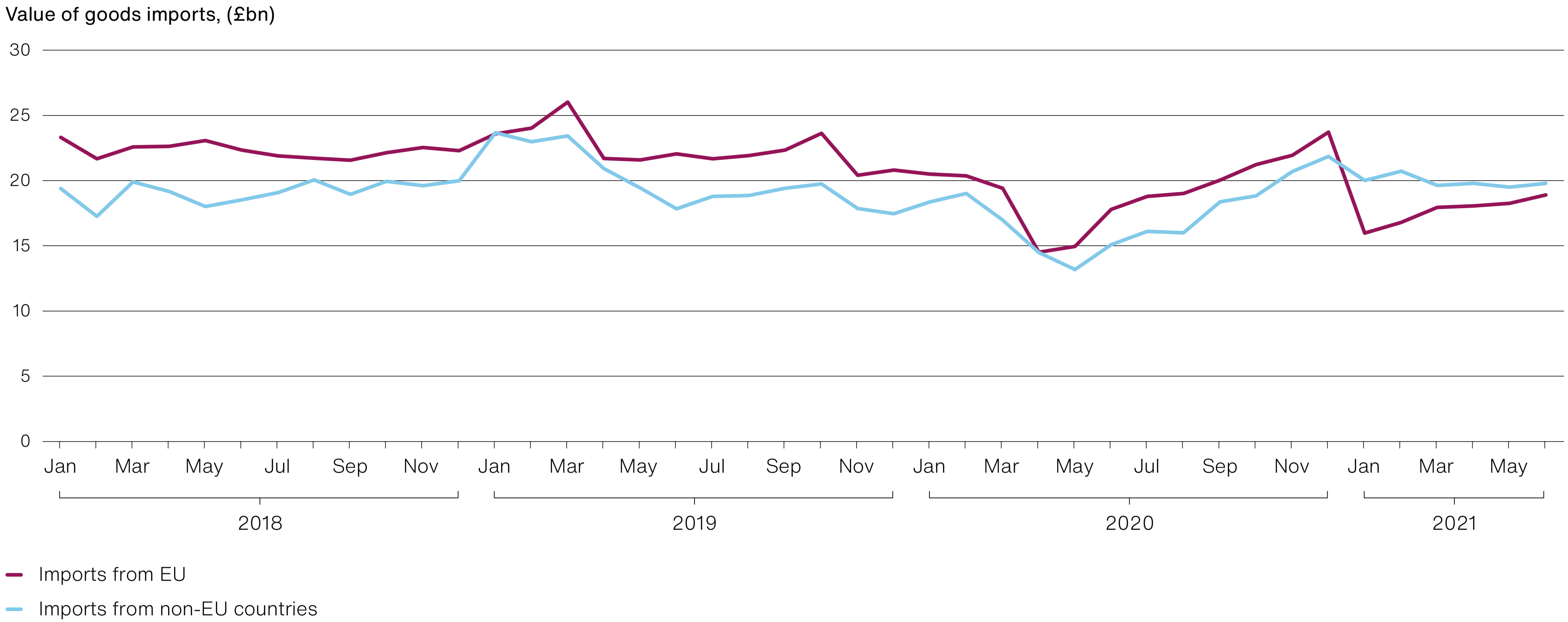
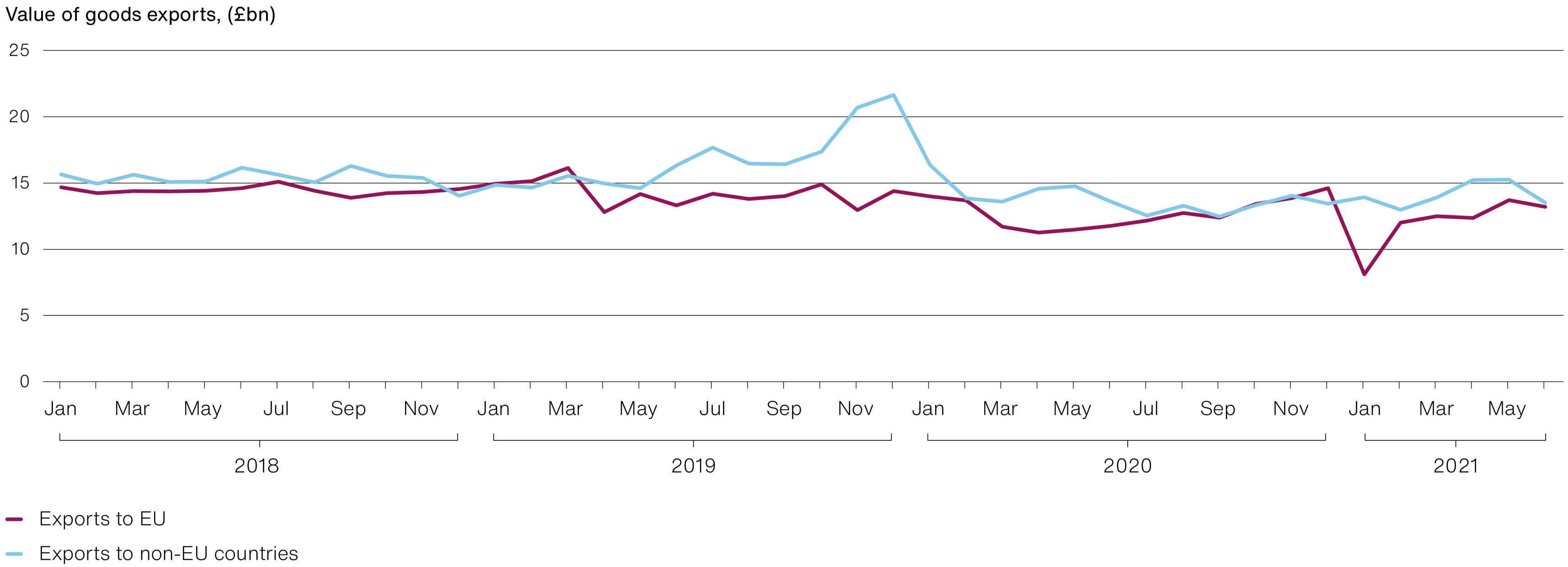


Figure 8 *continued*

UK trade in goods to EU and non-EU countries between January 2018 and June 2021

UK goods exports to EU and non-EU countries by month



Notes

1 Data shown uses chained volume measures which take out effects of inflation, base year is 2019.

2 Data includes non-monetary gold, which is gold that is not held as a reserve asset by a monetary authority.

3 Data are seasonally adjusted.

4 The graphs in this Figure include data up to the first two quarters of 2021. The Office for National Statistics has released monthly UK trade data for July and August 2021, which shows UK trade with both EU and non-EU countries on a stable trend.

Source: Office for National Statistics international trade data for August 2021, published on 13 October 2021. See footnote 49

2.10 The ONS has stated that it is difficult to disentangle the effects of EU Exit and the pandemic on the UK's trade.[53] It is too early to draw conclusions on the overall impact on the UK's trade and there are some elements of the data which are not easily explained. For example, UK imports from the EU have been affected in a similar manner to exports although the UK government has not yet introduced full import controls. However, there are indications that EU Exit has had a significant impact on the UK's trade with the EU since the end of the transition period. In particular, the UK's total trade in goods with the EU has shown a much greater reduction than its trade with the rest of the world. In 2021, total UK trade with the rest of the world fell 2% (£1.6 billion) in Q1 2021 before rising 1% (£1 billion) in Q2 2021, compared with the equivalent quarters in 2018.

The impact of new administrative requirements on businesses

2.11 The ONS has surveyed businesses to ask them about the challenges they have faced exporting and importing (**Figure 9** on pages 45 to 47) since the end of the transition period.[54] The percentages of businesses experiencing disruption at the UK border fell gradually through the first half of 2021. However, there has been no commensurate fall in traders reporting they face new challenges. The data available show the challenges faced by firms increasing as the transition period ends and then have not eased through 2021. Between January and July 2021 approximately 40% of both importers and exporters consistently said they have to complete additional paperwork when trading and also report they face extra customs duties and transportation costs.

2.12 The same survey asked businesses the main cause of these challenges. Between January and June 2021, an average of half of businesses consistently reported that the main cause of challenges to exporting and importing was the end of the EU transition period, while another one-third blamed both COVID-19 and the end of the EU transition period. Only an average of 17% of exporting firms and 14% of importing firms said that the end of the transition period did not create challenges between January and June 2021.

53 Office for National Statistics, *The impacts of EU exit and the coronavirus on UK trade in goods*, 25 May 2021. Available at: www.ons.gov.uk/businessindustryandtrade/internationaltrade/articles/theimpactsofeuexitandthecoronavirusonuktradeingoods/2021-05-25

54 Office for National Statistics, *Business insights and impact on the UK Economy*, Wave 36 of this dataset published on 12 August 2021. Available at: www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactontheukeconomy

Figure 9

UK businesses reporting challenges exporting and importing between September 2020 and July 2021

The percentage of firms reporting challenges when exporting increased after the end of the transition period

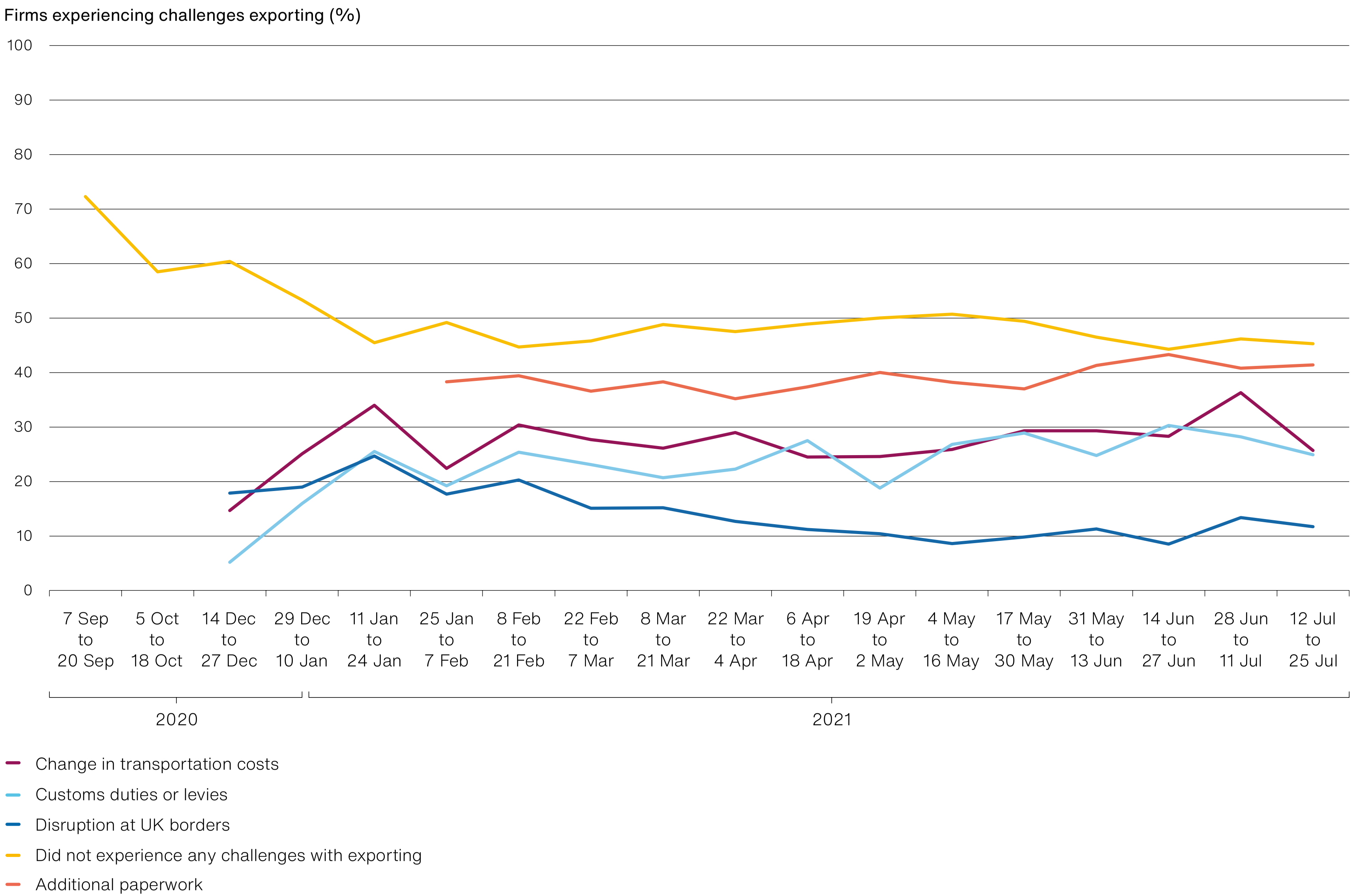


Figure 9 *continued*

UK businesses reporting challenges exporting and importing between September 2020 and July 2021

Firms importing goods to the UK report a similar picture

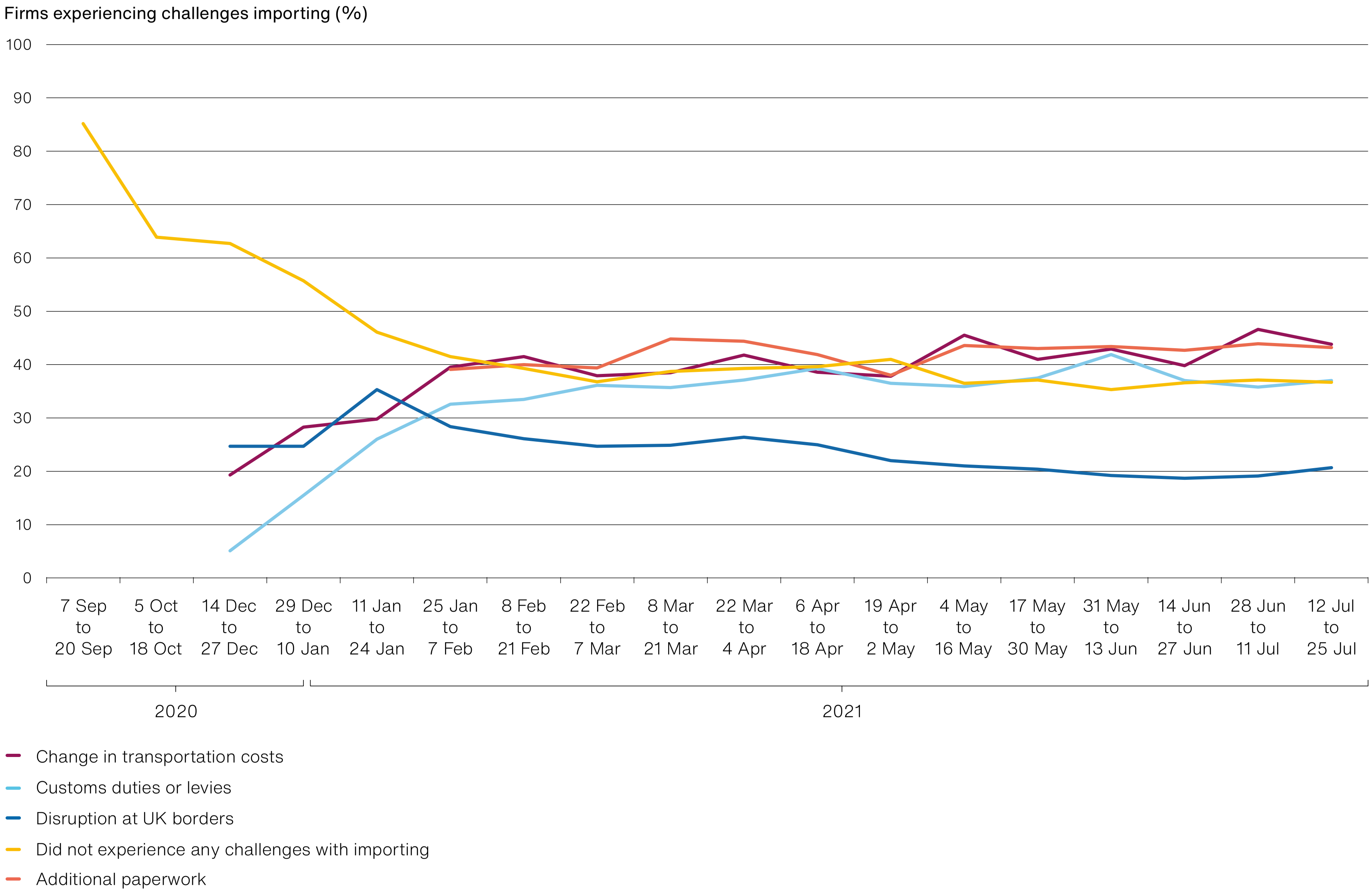


Figure 9 *continued*

UK businesses reporting challenges exporting and importing between September 2020 and July 2021

Notes

1 Businesses were not asked about challenges exporting or importing in every round of the business insights and impact on the UK economy (BICS) survey, hence the gaps in 2020 data.

2 The BICS survey added possible responses on paperwork, customs duties, transportation costs and disruption at the border only after 14 December 2020.

3 Data are weighted by count of business, which scales up responses to provide a representative assessment for all businesses and not just those who responded to the survey.

4 Caution should be taken interpreting these results as only small numbers of businesses responded to these specific questions.

5 The transition period lasted from 31 January 2020 to 31 December 2020.

Source: Office for National Statistics, *Business insights and impact on the UK economy*, survey Wave 36, published 12 August 2021. See footnote 54

The impact of controls on specific sectors

2.13 The government has acknowledged that the new trading processes and requirements associated with leaving the EU customs union and single market have created challenges for some sectors.[55] UK exports to the EU fell sharply in January 2021 for all commodity groups but the recovery since has been uneven across sectors (see **Figure 10** on pages 48 and 49). Exports of manufactured goods and exports of food, live animals and products of animal origin remain lower than in 2018. Business representatives of these sectors have highlighted, through published reports, evidence to parliamentary committees and directly to us, the disruption to their sectors caused by the new procedures required for UK–EU trade before, at and after the border following the end of the transition period.[56,57] **Figure 11** on pages 50 and 51 provides some illustrative examples of the impact on specific industries.

55 Hansard HC, *EU-Great Britain Import Controls*, Volume 690, 11 March 2021. Available at: https://hansard.parliament.uk/Commons/2021-03-11/debates/21031144000008/EU-GreatBritainImportControls#contribution-0E504C13-F82A-45BB-AE58-005F11259AFB

56 UK Meat Industry, *Brexit Impact Report*, 24 March 2021. Available at: http://britishmeatindustry.org/wp-content/uploads/2021/03/Brexit-impact-report-web.pdf

57 For example, see HC Committee of Environment, Food and Rural Affairs, *Oral evidence: Seafood and Meat Exports to the EU*, HC 1189, 2 March 2021. Available at: https://committees.parliament.uk/event/3742/formal-meeting-oral-evidence-session/

Figure 10

Value and percentage change in UK exports to the EU, by commodity

UK exports to the EU fell sharply across all commodity groups between December 2020 and January 2021, but by June 2021 exports of most commodity groups had begun to recover. Despite this recovery, most categories of exports remained lower in the first half of 2021 than the first half of 2018

UK monthly goods exports to EU (£m)

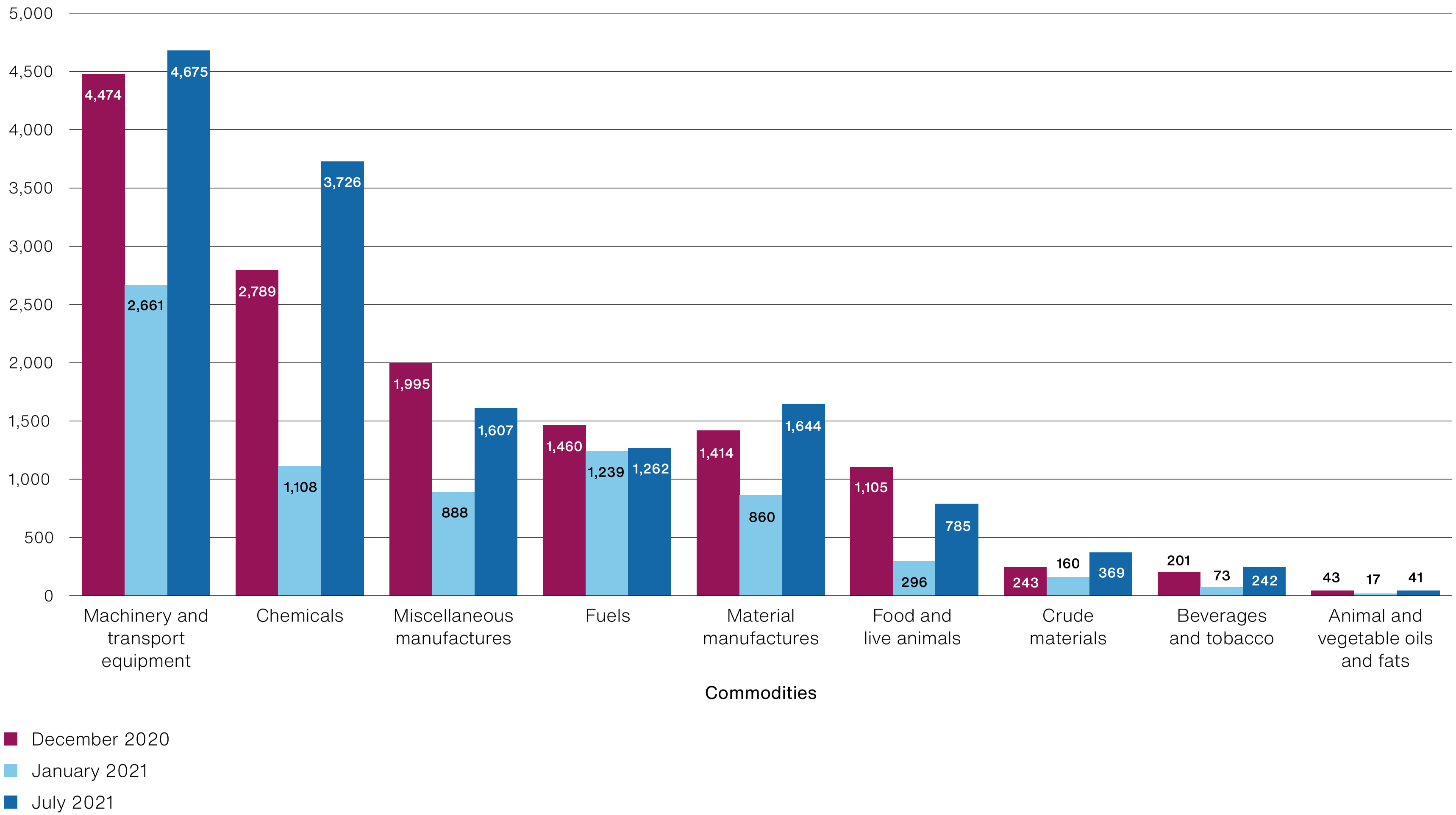
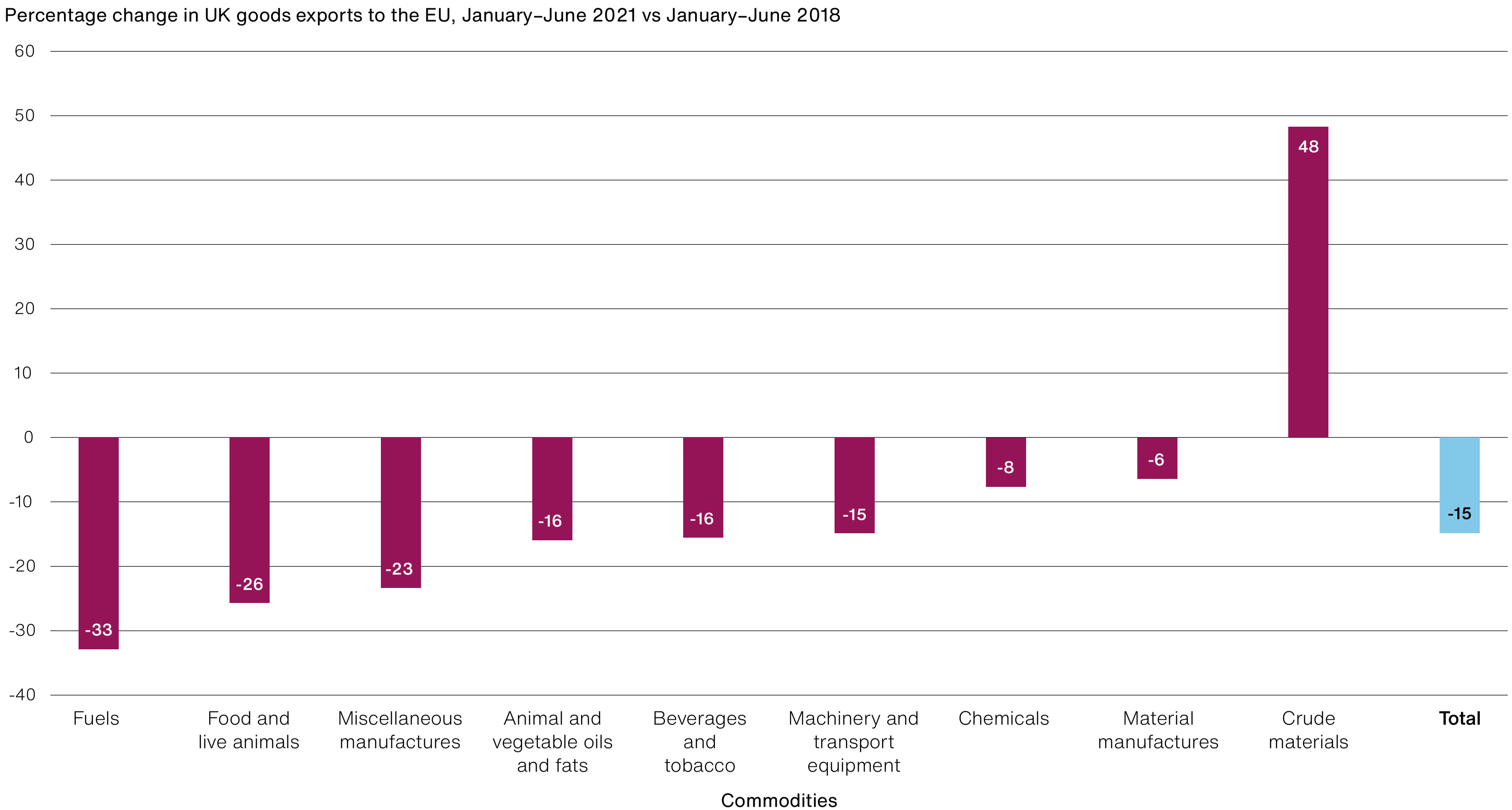


Figure 10 *continued*

Value and percentage change in UK exports to the EU, by commodity



Notes

1 Data are not seasonally adjusted.

2 We have excluded export data on unspecified goods as a separate category from the graphics. Unspecified goods are, however, included in the total percentage change column.

3 The graphs in this Figure include data up to the first two quarters of 2021. The Office for National Statistics has released monthly UK trade data for July and August 2021. These data show UK exports to the EU falling slightly between June and August 2021, however overall volumes remain significantly higher than those reported in January 2021.

Source: National Audit Office analysis of Office for National Statistics international trade data for August 2021, published on 13 October 2021. See footnote 49

Figure 11

Case examples illustrating the impact on specific industries and sectors

Industries are experiencing a range of challenges relating to new border controls

The International Meat Trade Association (IMTA)

The IMTA is a UK trade association representing meat importers and exporters. The IMTA told us that there was a 43% decline in the tonnage of UK–EU meat exports in the first four months of 2021 compared with the same period in 2020. Although demand decreased from EU restaurants closing due to COVID-19, new border rules imposed after the transition period ended also contributed to the decline, particularly the requirements for veterinary checks and Export Health Certificates (EHCs). Issues encountered include:

- goods being rejected at the EU border due to paperwork being filled out incorrectly;
- the lack of an electronic system to send health and origin certificates, meaning paper documents have to be sent; and
- problems with the groupage process. Each individual consignment on a vehicle may need its own EHC and veterinary check and any single error will halt the delivery of all goods on a vehicle, which can be critical for perishable goods.

Make UK

Make UK provides a range of services to around 20,000 UK manufacturing firms. It told us that leaving the EU single market and customs union was the biggest change their members had faced in more than four decades. A June survey of its members found that in the six months following the end of the transition period, 96% of manufacturers reported challenges. Concerns included:

- the rules of origin agreed in the Trade and Cooperation Agreement (TCA) are a challenge for many companies. If a UK firm imports a good from Spain which is re-exported unchanged to the EU, it will lose its EU origin status. This has significant implications for businesses using the UK as a distribution base across the EU;
- the scope for future regulatory divergence between the UK and EU. For example, a new EU medical devices regulation that came into force in May 2021 set new legislative rules that UK products must comply with if they are exported to the EU, while UK rules remain unchanged;
- issues securing logistics to transport goods, and the consistency at the EU border of the application of new trade rules; and
- EU partners lack of familiarity with new arrangements.

The Federation of Small Businesses

The Federation of Small Businesses (FSB) represents small businesses. It told us that a clear majority of small businesses did not feel ready for the end of the transition period. The most common reasons for not finishing preparations were the lack of clarity about the future trading relationship with the EU, and a lack of time and/or resources (exacerbated by the COVID-19 pandemic). FSB research, conducted in March 2021, found that:

- one in five exporters (23%) had temporarily halted sales to EU customers since the end of the transition period, and 4% had stopped selling into the EU permanently;
- around 70% of importers and/or exporters reported they had encountered disruption moving goods around the EU. Reasons included incorrect or incomplete paperwork, increased checks resulting in delays and different interpretations of requirements between different member states; and
- as a result of the new trading arrangements, 11% of exporters had established a presence in an EU country or were considering doing so, while 9% were using, or considering using, warehousing space in the EU or Northern Ireland.

Figure 11 *continued*

Case examples illustrating the impact on specific industries and sectors

The Horticultural Trades Association

The Horticultural Trades Association (HTA) is the trade association for the UK garden and amenity industry. It told us that the new border controls for plants and plant products introduced in January 2021, such as requirements for pre-notifications, extra certification and inspections for all high-risk plants, had significant impacts on their members. These included:

- HTA member growers importing from the EU indicated they had needed an additional 20 people days on average to administer the new arrangements between January and May. This created an additional cost to HTA grower members of an average of £3,450 per busines;
- according to a HTA survey, the new controls had a negative impact on 78% of members asked, rising to 88% for small businesses (under £1 million turnover; and.
- the new trading arrangements were limiting product ranges and adding more than a pound to the cost of a £9.99 plant.

Overall, the HTA estimates that the additional costs within the supply chain will amount to between £25 million and £30 million per year.

Source: National Audit Office analysis of data provided by the International Meat Trade Association; Make UK; the Federation of Small Businesses; and the Horticultural Trades Association

Sanitary and phytosanitary checks

2.14 UK exports of food and live animals to the EU experienced the largest monthly decline in percentage terms of all commodity groups in January 2021, of 73%, before recovering significantly in the first half of 2021. One reason for the fall is that exports to the EU of live animals, fresh meat and fish must now go through sanitary and phytosanitary (SPS) checks that protect against diseases, pests or other contaminants. Completing these checks means that exporters potentially have to go through more than 20 separate steps to export meat or fish products to the EU, compared with just two before 1 January 2021. The Food and Drink Federation reported that exports of food and drink to the EU fell 75.5% in January and had only recovered partially by the end of Q1 2021, with exports still down 46.6% on Q4 2020.[58] Although other factors will have affected sales, such as the closure of the hospitality sector due to COVID-19, it should be noted that during the same period exports of food and drink to non-EU countries rose 0.3%.

58 Food and Drink Federation, *UK-EU Food and Drink Trade Snapshot: January 2021,23* March 2021. Available at: www.fdf.org.uk/globalassets/resources/publications/reports/exports-reports/uk-eu-food-and-drink-trade-snapshot-jan-2021.pdf

2.15 The new SPS checks create other burdens for businesses. Firstly, smaller traders can no longer use the groupage process whereby they could share a lorry to export products together, since each consignment of goods now requires its own certificates and any single error on the paperwork for any consignment could mean all the consignments are stopped (this is a particular issue for goods with a short shelf life which need to reach markets quickly). Secondly, the extra costs of acquiring and completing the necessary paperwork impose direct costs on business. For example, businesses exporting agri-foods may have to pay for an official certifying officer to sign an Export Health Certificate (EHC). Certifying officers signed off 140,000 EHCs in the period between January and July 2021, of which 116,000 related to the export of goods from GB to the EU. The Horticultural Trades Association (HTA) estimates that traders in plants face an extra cost of £25 million to £30 million each year, which it predicts will lead to an increase in prices consumers will pay for plants of around 8%.[59] The British Meat Processors Association estimates the additional cost to the UK meat industry per year to trade with the EU as £90 million to £120 million.[60]

Rules of origin

2.16 The TCA provides for zero-tariff zero-quota trade between the UK and the EU, but to qualify for this preferential access, importers and exporters of goods need to prove they are produced in either the UK or the EU via rules of origin requirements. Rules of origin determine the 'economic nationality' of a good based on where the products used in their production come from, to ensure that goods manufactured in third countries cannot just pass through the UK or EU and avoid paying third country tariffs. Although it varies with the product, typically, around 50% of value must be added locally in order to qualify for preferential access.

2.17 Proving origin can be challenging, especially for complex products or those with multiple components or complex supply chains. UK and EU businesses are not required to collect formal declarations from their suppliers to prove the origin of goods until 31 December 2021, but businesses may be asked to provide declarations retrospectively and therefore will need to hold the necessary evidence. Business representatives told us that traders were not ready to start collecting the information needed to meet rules of origin requirements since the details of what would be needed only became clear after the TCA was agreed on 24 December 2020. In the short term, companies will have to collect extra paperwork to ensure they can qualify for preferential access. Longer term, some businesses may have to change their supply chains entirely.

59 Horticultural Trades Association, *Let Britain Grow!*, June 2021. Available at: https://hta.org.uk/uploads/assets/417b3f4c-7761-41c5-b7acfdb64632f268/Let-Britain-Grow-Data-and-Evidence-June-2021.pdf
60 UK Meat Industry, *Brexit Impact Report*, 24 March 2021. Available at: http://britishmeatindustry.org/wp-content/uploads/2021/03/Brexit-impact-report-web.pdf

Post publication this page was found to contain an error which has been corrected (Please find Published Correction Slip)

Restrictions on the import of products to the EU

2.18 After the end of the transition period, some products could no longer be imported to the EU from the UK. For example, as the UK is now a third country outside of the EU, the European Commission will no longer allow the import of live bivalve molluscs (LBM) from Class B waters, which stakeholders say could jeopardise the entire industry. The Department for Environment, Food & Rural Affairs (Defra) has said that, prior to the end of the transition period, the Commission had provided assurances that trade could continue but that it had changed its position due to a difference in interpretation of the law.[61]

Government efforts to reduce the impact of new border controls

2.19 Ultimately, businesses will need to decide whether to absorb the resulting additional administrative costs or pass them on to their customers if they can. Producers may be able to absorb extra costs for exports that generate relatively high-profit margins, but this may not be possible for goods with lower margins. Where extra costs have been created by a lack of familiarity with the new controls, however, government can provide help to businesses as they adapt to the new arrangements, either directly through grants or guidance, or indirectly by waiving or easing requirements for a period.

Direct financial support to industries

2.20 In the short term, the government has recognised that some businesses may need help adapting to the new arrangements and set up schemes to provide financial support accordingly:

- In response to concerns from fish suppliers about losses incurred by an inability to complete the new customs checks before goods expire, in January 2021 the government announced a £23 million Seafood Disruption Support Scheme (SDSS) to support small or medium-sized businesses that incurred verifiable financial losses exporting to the EU between 1 and 31 January 2021 – £22 million has been paid out by the UK government and the devolved administrations.

- In response to concerns that small and medium-sized enterprises (SMEs) were struggling to adapt to new customs rules, in March 2021 the government announced a £20 million SME Brexit Support Fund to give grants up to £2,000 to help them adapt – £6.7 million has been paid out.

61 Hansard HC, *UK Shellfish Exports*, Volume 689, 8 February 2021. Available at: https://hansard.parliament.uk/Commons/2021-02-08/debates/E4F44D34-974A-455D-93DA-DB68409E5617/UKShellfishExports?highlight=shellfish%20eu%20export#contribution-4FD948EC-C7B3-4724-9827-BFF31389ACDF

- In response to concerns that there would not be sufficient customs intermediaries to provide expert advice to businesses, the government made £84 million available to the sector to stimulate recruitment, training and system upgrades – all £84 million has been spent.
- The government announced specific initiatives to support Northern Ireland businesses: the Trader Support Service, the Movement Assistance Scheme and the Digital Assistance Scheme. We examine these in Part Four.

2.21 These initiatives have been generally welcomed by business representatives. However, they have also voiced concerns over some aspects of the application and approval process and the eligibility criteria. For example, to apply for a grant from the SME fund, a business must not have done any trade with any non-EU country. The scheme closed on 30 June 2021, by which time only £8.5 million of the £20 million fund had been applied for.[62] Stakeholder organisations, including the Federation of Small Businesses and Make UK, told us that the criteria limited the businesses that could benefit, and that they had called for an extension to the criteria for, and end date of, the scheme.

2.22 The SDSS and SME support schemes were set up relatively quickly to respond to difficulties faced by some sectors and help businesses adjust to the challenges posed by the changes to their trading arrangements. Details of these schemes were not finalised or published before the end of the transition period and the eligibility criteria for the SDSS were still being finalised in January 2021. These support schemes have been set up individually and we have not seen any strategic plan or decision-making framework which guides decisions about which industries to support, the extent and type of support they should receive, how long the schemes will be in operation and the plan for withdrawal and transition to longer-term business as usual. The government considered that it was more appropriate to track which businesses were facing difficulties and then respond in those exceptional cases where it considered there was a market failure which required government intervention. Defra told the Environment, Food and Rural Affairs Select Committee in March 2021 that there is a limit to the amount of support it can provide to traders looking to export to the EU and that small businesses trading small and/or short shelf-life products will eventually have to make changes to their business models.[63]

62 Of the £8.5 million, £6.7 million has been paid out.
63 HC Committee of Environment, Food and Rural Affairs, *Oral evidence: Seafood and Meat Exports to the EU*, HC 1189, 25 March 2021. Available at: https://committees.parliament.uk/oralevidence/1966/html/

The impact on passengers crossing the border

2.23 The end of the transition period has also meant changes for how passengers travel between the UK and EU. For example:

- passengers travelling for business purposes need to obtain visas or other work permit documentation if they plan to stay longer than 90 days in a 180-day period, work in a European branch of their UK company, or if they are carrying out contracts to provide services in a country where their employer has no business presence;[64]
- EU citizens on the EU Settlement Scheme may need to provide evidence of their immigration status when entering the UK; and
- from 1 October 2021 most EU citizens have not been able to enter the UK using ID cards.

This is in addition to any extra questions asked by border officials, or any measures introduced to prevent the spread of COVID-19. Further changes to the arrangements for passengers crossing the border are planned for 2021 and 2022, and these are covered in Part Three. The Confederation of British Industry told us that the government could be doing more to assist business travel by clarifying new requirements and communicating this more effectively with businesses.

2.24 Many of the effects of the changes that have already occurred are yet to be fully felt because travel has been severely restricted during the pandemic. Still, the additional checks will mean it will sometimes take longer for passengers to cross the border than before EU Exit. The government modelled some scenarios which showed that queues at Dover and Eurotunnel could be one to two hours in January 2021 but become much longer in the summer months, especially at Dover. These queues did not materialise in January due to COVID-19 restrictions and the associated decrease in travel, but government modelling from June 2021 indicated that very significant queues could have occurred at Dover if France had been put on the green list for COVID-19 travel restrictions. This would be because of COVID-19 checks and additional checks resulting from the UK's exit from the EU.

64 Immigration arrangements can vary for different EU member states.

Part Three

Significant future events relating to the management of the GB–EU border

3.1 The government plans to make further changes to the operation of the border, of which the most significant in the immediate future is the introduction of full import controls. This part examines:

- the background to the introduction of full import controls;
- government preparedness for the introduction of full import controls;
- third-party readiness for the introduction of full import controls;
- management of compliance; and
- other significant future events relating to the management of the border.

Background to the introduction of full import controls

3.2 The government needs to introduce import controls for several reasons, including: to ensure imported goods meet the relevant standards in areas such as food and product safety and disease control; to prevent smuggling and illicit activity; and to comply with international obligations. The UK government originally intended to introduce full import controls at the end of the transition period on 1 January 2021 but has since delayed the introduction of these controls three times. It is adopting a phased approach to the introduction of controls. **Figure 12** shows the original timetable for each phase and the subsequent revisions to the timetable.

Figure 12

Timeline for introducing Great Britain (GB) import controls

Import controls are being introduced in stages between January 2021 and July 2022

Control	Original timetable	First revision of timetable (announced on 12 June 2020)	Second revision of timetable (announced on 11 March 2021)	Third revision of timetable (announced on 14 September 2021)
Full customs checks for excise and controlled goods, such as alcohol and tobacco.	1 January 2021	1 January 2021	1 January 2021	1 January 2021
Pre-notification for live animals and high-risk plants and plant products, and full import declaration upon entry in the UK required.	1 January 2021	1 January 2021	1 January 2021	1 January 2021
Pre-notification of products of animal origin, low-risk animal by-products not for human consumption, and high-risk food not of animal origin required.	1 January 2021	1 April 2021	1 October 2021	1 January 2022
Customs import declarations required for non-controlled goods from the EU, and the option to use the deferred declarations scheme, including submitting supplementary declarations up to 175 days from the time of import, ends.	1 January 2021	1 July 2021	1 January 2022	1 January 2022
Pre-notification for low-risk plants and plant products required.	1 January 2021	1 April 2021	1 January 2022	1 July 2022
Safety and security declarations for imports required.	1 January 2021	1 July 2021	1 January 2022	1 July 2022
Documentary checks and physical checks on animal products, high-risk food not of animal origin and high-risk plants introduced and will take place at Border Control Posts.	1 January 2021	1 July 2021	1 January 2022	1 July 2022
Checks at Border Control Posts will take place on live animals and low-risk plants and plant products.	1 January 2021	1 July 2021	1 March 2022	1 July 2022

Note

1 The controls brought in from 1 January 2021, as outlined in the most recent revised timetable, are already in operation.

Source: National Audit Office analysis of government announcements

3.3 Each time the government has announced a delay to full import controls, it has explained that this was to allow traders more time to prepare. For the latter two announcements, the government said that it would have been on track to meet its own timetable. The Border and Protocol Delivery Group (BPDG) told us that Accounting Officers of all the relevant UK government departments met at the start of September 2021 to review the state of readiness and agreed that, individually and collectively, they would have been ready to implement the new controls for January 2022. Our analysis at **Figure 13** on pages 60 to 62 shows that most of the systems, infrastructure and resources needed for January 2022 were on track but there were elements of delivery which were at risk and where departments might have had to deploy contingency plans.

3.4 After the second delay announced in March 2021, departments re-planned their delivery timetables for the changes needed to introduce full import controls. They also identified improvements and potential new activities to undertake to use the extra time productively. This included:

- accelerating work on some programmes, such as the Dover White Cliffs sites, with a view to considering whether there should be any changes in planned deliveries (see paragraphs 3.11 and 3.16);
- improving approaches to planning and operational testing (see paragraph 3.24);
- increasing third-party readiness (see paragraphs 3.26 to 3.33);
- reaching early agreement on contingency approaches and HM Revenue & Customs (HMRC's) approach to compliance (see paragraphs 3.17 and 3.34 to 3.38); and
- accelerating work on a border performance framework (see paragraph 3.42).

Departments have made progress on elements of this work, for example, changing the planned approach to the delivery of the Dover White Cliffs site and accelerating digitisation of some paperwork relating to sanitary and phytosanitary (SPS) requirements. However, as at August 2021, delivery timescales for the changes required by the government and third parties still carried risk. The government subsequently announced a third delay on 14 September 2021.

3.5 The decisions to delay have received a mixed reception from stakeholder groups representing traders and the border industry. The first delay, announced in June 2020 in the early months of the COVID-19 pandemic, was largely well-received on the grounds that businesses were already grappling with very significant issues and did not have the capacity to cope with big changes at that point. Some stakeholders continued to welcome the further delays in the light of continuing disruption to trade partly caused by the pandemic and issues such as shortages of HGV drivers. Other stakeholders expressed dissatisfaction as the further delay penalised those who had invested in preparations and continued the disparity between requirements for UK and EU exporters. For example, after the third delay was announced in September 2021:

- the British Chamber of Commerce said the delay was "sensible given ongoing issues with ensuring trader readiness, the need to build more border control posts and the skills shortage crisis" but also said that, "they [businesses] need to know when the remaining border infrastructure, needed across all Great Britain's ports, will be complete and operational";[65] and
- the Food and Drink Federation said that "many manufacturers who invested funds in preparation would be dismayed by the delay" and that, "the asymmetric nature of border controls facing exports and imports distorts the market and places many UK producers at a competitive disadvantage with EU producers".[66]

Government preparedness for the introduction of full import controls

3.6 Departments need to make further changes to systems, infrastructure and resources to facilitate the introduction of full import controls. Figure 13 sets out these changes with summary information regarding their status as at August 2021 (prior to the government's decision to further delay the introduction of full import controls) and how this decision impacts on their delivery. Paragraphs 3.7 to 3.23 provide further information regarding progress and significant areas of risk.

65 British Chambers of Commerce, *BCC welcomes delay to import checks but says much more work is needed*, 14 September 2021. Available at: www.britishchambers.org.uk/news/2021/09/bcc-welcomes-delay-to-import-checks-but-says-much-more-work-is-needed

66 The Independent, *Brexit: Government again delays key border checks on EU imports*, 14 September 2021. Available at: www.independent.co.uk/news/uk/home-news/brexit-imports-eu-border-checks-b1919724.html

Figure 13

An overview of departments' preparations to support the introduction of import controls

Departments would have been in a position to implement import controls by January 2022, but might have had to deploy contingency plans in some areas

	Preparations that government needs to put in place to support the introduction of full import controls	Status of preparations as at August 2021, prior to the government's decision to further delay the introduction of full import controls	Implications of government's decision to further delay the introduction of full import controls
Systems	Significant systems changes planned are:		
Upgrades to systems are needed to: • provide additional capacity to cope with increases in volumes of declarations; • ensure the resilience of systems; and • provide additional functionality.	**HMRC** Enhancement and upgrades to the Customs Handling of Import and Export Freight (CHIEF) and Customs Declaration Service (CDS) to ensure that they can handle declaration volume increases and peaks.	Enhancements required for 1 July 2021 were delivered with further enhancement work ongoing.	The decision has no implications for this work, which still needs to be delivered by 1 January 2022.
	Delivering additional functionality to the Goods Vehicle Movement Service (GVMS) to support HMRC's ability to identify errors in declarations and allow hauliers' existing software to link directly to GVMS, and to accommodate requirements from Defra.	HMRC element on track for delivery but there was a significant risk that Defra requirements would not be developed and delivered by 1 December 2021.	The customs-related elements of GVMS still need to be delivered by January 2022, but Defra requirements are not now required until July 2022.
	Defra Enabling the Import of Products, Animals, Food and Feed System (IPAFFS) to handle pre-notifications for all categories of SPS goods from both the EU and the rest of the world by adding the functionality to handle imports and exports of plants, and migrating importers and exporters of plants from the legacy PEACH and e-Domero systems on to IPAFFS and Export Health Certificates Online (EHCO).	IPAFFs was live for pre-notification of goods from the EU in advance of October 2021 (the previous date on which pre-notification was required).	Pre-notification is not now required until January 2022. Defra plans to migrate all traders on to IPAFFS and the majority of traders on to EHCO before this date. As at October 2021 80% of EHC volumes were going through EHCO.

Figure 13 *continued*

An overview of departments' preparations to support the introduction of import controls

	Preparations that government needs to put in place to support the introduction of full import controls	Status of preparations as at August 2021, prior to the government's decision to further delay the introduction of full import controls	Implications of government's decision to further delay the introduction of full import controls
Infrastructure New infrastructure is needed to: • support the introduction of full import controls; and • facilitate increases in the movement of goods under the Common Transit Convention.	**Completion of work at the inland border facilities at:**		
	Ashford Sevington: to be used for all checks on large live animals; livestock and all plants from Dover and Eurotunnel; Products of Animal Origin from Eurotunnel only; and HMRC transit and compliance checks.	Transit and compliance requirements complete but there was a risk to delivery of SPS requirements for January 2022.	SPS facilities not now required at Sevington until July 2022.
	Dover White Cliffs: to be used for HMRC transit and compliance checks only, following XO decision not to undertake SPS checks.	Dover White Cliffs to fully commence operations in 2023 once Ebbsfleet has been decommissioned.	The decision does not impact on the requirements for Dover White Cliffs.
	Two smaller sites in Kent: to be used for checks on products of animal origin from Dover only, and small animals/commercial animals from Eurotunnel and Dover.	Defra was in the process of negotiating a lease on one of the sites but had not yet identified a suitable second site.	These facilities are not now required until July 2022.
	Holyhead (Welsh government site): to be used for checks on animals, plants and their products.	The Welsh government did not anticipate that the site would be complete until at least the end of 2022 and was considering temporary options to cover the period until the site is operational.	Temporary facilities do not now need to operate until July 2022.
	Holyhead (Roadking, HMRC site): to be used for HMRC transit and compliance checks.	The permanent site would not have been complete but HMRC planned to use temporary facilities which were on track.	The decision does not impact on these requirements.
	South West Wales (Welsh government site): to be used for checks on animals, plants and their products.	The Welsh government was in the process of purchasing a site but did not anticipate any building work would be complete until at least 2023. It was considering temporary options until the site is operational.	Temporary facilities do not now need to operate until July 2022.

Figure 13 *continued*

An overview of departments' preparations to support the introduction of import controls

	Preparations that government needs to put in place to support the introduction of full import controls	Status of preparations as at August 2021, prior to the government's decision to further delay the introduction of full import controls	Implications of government's decision to further delay the introduction of full import controls
Infrastructure *continued*	Cairnryan (Scottish government site): to be used for checks on animals, plants and their products.	The Scottish government had identified a suitable site which it was in the process of acquiring but had not yet started any construction work.	The requirements at Cairnryan relate to the second phase of unfettered access arrangements under the Northern Ireland Protocol and are therefore not affected by the delay to the introduction of import controls.
	Completion of work at 41 ports funded by the Port Infrastructure Fund.	All but a small number of ports reported they were on track for January 2022 but BPDG reported a lack of confidence in ports' readiness.	Most changes are not now required until July 2022.
Resources	Recruitment, training and deployment of:		
Additional staff are needed to: • support the introduction of full import controls; and • facilitate increases in the movement of goods under the Common Transit Convention.	A reduction of 1,000 HMRC permanent and increase of 400 non-permanent staff (taking the total to 5,800 permanent and 1,700 non-permanent).	On track to deliver for 1 January 2022.	The decision has no implications for this work.
	An additional 430 Border Force staff (taking the total to 1,950).	On track to deliver for 1 January 2022.	The decision has no implications for this work.
	Around an additional 870 staff across Defra, APHA, port health authorities and local authorities.	At risk of not delivering the full capacity by 1 January 2022.	Some of these staff will not now be required until July and APHA and port health authorities are therefore slowing down recruitment to reduce cost. Additional Defra staff are already in post.

Source: National Audit Office analysis of departments' documents

Systems

3.7 The majority of changes to border-related systems were introduced before 1 January 2021, but further changes have been required to provide additional capacity to deal with increased volumes of declarations, ensure system resilience and provide additional functionality in advance of the introduction of full import controls.

3.8 HMRC made most of the further systems changes relating to its GB–EU operating model by the end of June 2021 in advance of an anticipated rise in traders making full customs declarations (see paragraph 3.40).[67] However, further changes are required before January 2022 when traders will need to submit a full customs declaration at the point of entry to Great Britain (GB). The most significant relates to making enhancements to the Goods Vehicle Movement Service (GVMS) to improve the interaction between GVMS and other HMRC systems and to enable GVMS to validate the information it is receiving.

3.9 In July 2021, HMRC told us it was confident that it could make the changes to GVMS required in order to support its own requirements before January 2022, but that it was still working through the Department for Environment, Food & Rural Affairs' (Defra's) requirements to see if they could be accommodated in time. If not, this would mean that heavy goods vehicle (HGV) drivers could find out from the GVMS system whether or not their goods have been cleared or require checking and provide details of locations of the inland facilities, but that there would not be the functionality in place to inform drivers the specific inland facilities to attend for checks if required. BPDG reporting from August 2021 showed that HMRC systems changes were on track but that there was a red-rated risk for delivery of the Defra-related GVMS changes for January 2022, although plans were being developed for workaround solutions. As a result of the delay announced on 14 September 2021, the requirement for Defra-related changes for SPS goods moves to July 2022.

3.10 Before the end of the transition period Defra made systems changes to:

- enable the pre-notification of the import of animals and their related products, and high-risk food and feed not of animal origin, from the rest of the world, and of animal and high-risk animal by-products from the EU;
- expand its legacy PEACH and e-Domero systems, which handle imports and exports of plants and their products to ensure there was sufficient capacity to handle EU trade;[68] and
- put in place the Export Health Certificates Online (EHCO) system to handle Export Health Certificates (EHCs) for animals and animal products, replacing an existing manual system.

67 Traders importing non-controlled goods between 1 January 2021 and 31 December 2021 have been able to use simplified customs procedures to delay their full customs declaration, by up to 175 days. This simplified procedure was originally expected to end on 1 July 2021 but has since been extended to 1 January 2022.

68 Unlike other imports, high-risk plants have required pre-notification from 1 January 2021.

3.11 Before the introduction of full import controls, Defra now needs to:

- move traders for the remaining categories of animal and food-related EU imports on to the Import of Products, Animals, Food and Feed System (IPAFFS) (the system's functionality is already in place); and
- complete the build of IPAFFS to enable it to handle imports of all plants and their products and migrate users onto the system.

In addition, Defra wants to build a digital interface which would enable IPAFFS to draw data directly from EHCs and thus reduce the administrative burden on traders. This work was originally planned as part of the 2025 Future Border Strategy but has been accelerated given the additional preparation time arising from the government's decision to delay the introduction of import controls. As at October 2021, Defra told us that it was due to start a limited trial of this functionality shortly, but that the timetable for rolling out the system more widely was uncertain as it depended on development work in other countries as well as the UK.

3.12 In June 2021, Defra told us that it was on track to deliver all the systems changes required but was concerned that last-minute policy changes might need to be incorporated into systems design quickly. BPDG reporting for Defra-related systems changes from August 2021 confirmed Defra was on track to deliver the changes required by January 2022. The success of the overall programme will be dependent not only on the systems themselves but on Defra's ability to ensure that users in the UK and the EU are familiar with the necessary systems and are able to use them.

Infrastructure

3.13 Before the end of the transition period, departments had to put in place infrastructure, primarily to support the movement of goods under the Common Transit Convention (CTC) and to manage potential traffic disruption. Additional new infrastructure is now required to support the implementation of checks resulting from new import controls. This is being introduced at ports and also at inland facilities where ports do not have sufficient capacity to accommodate the infrastructure required. **Figure 14** on pages 66 and 67 shows a map of all planned new infrastructure required at ports and inland sites to facilitate checks, and the nature of the facilities provided.

The readiness of new government infrastructure

3.14 In our last report we noted that there was a high risk that not all infrastructure would be ready for the then deadline of 1 July 2021.[69] After the government's March 2021 decision to delay import controls for a second time, departments and ports planned to put new infrastructure in place by January 2022 to support the introduction of new checks. As a result of the further delay, while infrastructure required for customs controls (offices and inspection sheds, for example) will still need to be delivered by January 2022, the facilities needed for SPS checks will not now be required until July 2022. The UK government, and the devolved administrations in Wales and Scotland, who have devolved responsibility for SPS checks, would not have been ready to introduce the full specification of controls at government-funded inland sites located at Dover White Cliffs, Cairnryan, Holyhead and South West Wales by 1 January 2022.[70] However, BPDG told us that interim measures would have been implemented, and departments were confident that import controls could have been introduced where they were required.

3.15 Issues which have hampered development of the sites include:

- uncertainty regarding the nature of arrangements that need to be put into place, relating both to the development of new compliance regimes and the implementation of the Northern Ireland Protocol. For example, some goods arriving at Cairnryan come directly from Northern Ireland (NI) and there are also sailings from Belfast to both Holyhead and Liverpool.[71] Goods arriving at these destinations from Northern Ireland will not require checking unless the UK government implements the second phase of its unfettered access arrangements. Future arrangements regarding unfettered access, including if and when any new requirements might be introduced, are currently uncertain (see Part Four);
- difficulties identifying appropriate locations for the sites which can accommodate the checks required, particularly in Scotland and South West Wales, where issues include accessibility of remote rural locations;
- uncertainty regarding funding arrangements, in particular in relation to the sites in Scotland and Wales, where discussions between the UK and the devolved administrations have been taking place regarding the funding mechanism for the build and subsequent running costs of the sites; and

69 Comptroller and Auditor General, *The UK border: preparedness for the end of the transition period*, Session 2019–2021, HC 371, National Audit Office, November 2020. Available at: www.nao.org.uk/wp-content/uploads/2020/11/The-UK-border-preparedness-for-the-end-of-the-transition-period.pdf

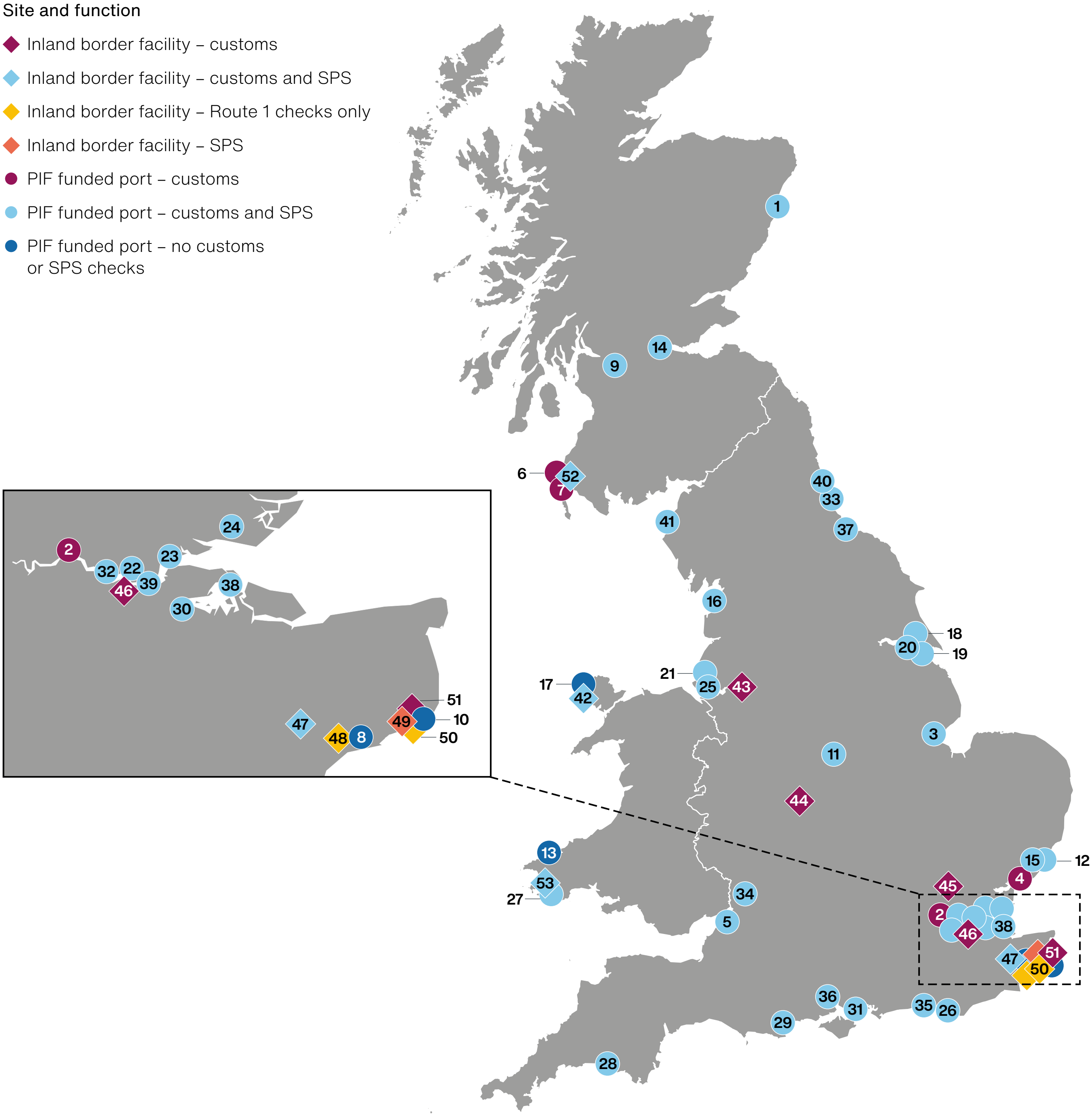
70 The ability to undertake checks at Cairnryan will not be required unless the UK government introduces the second phase of its unfettered access arrangements for trade between Northern Ireland and Great Britain. The UK government originally planned to do this in the second half of 2021 but in July 2021 proposed changes to the unfettered access requirements (see paragraph 4.25).

71 The exact proportion of goods arriving at Cairnryan either directly from Northern Ireland or from Ireland is unknown as these shipments often arrive together in mixed consignments.

Figure 14

Map of infrastructure at ports and inland border facilities

New infrastructure is needed for a range of purposes, including checks relating to customs procedures and the movement of animals, plants, and their products



1 Aberdeen
2 Barking
3 Boston
4 Brightlingsea
5 Bristol
6 Cairnryan (Loch Ryan)
7 Cairnryan (P&O Ferries)
8 Eurotunnel
9 Clydeport
10 Port of Dover
11 East Midlands International Airport
12 Felixstowe
13 Fishguard
14 Grangemouth
15 Harwich
16 Heysham
17 Holyhead
18 Hull
19 Grimsby & Immingham
20 Killingholme
21 Liverpool
22 London Container Terminal
23 London Gateway
24 London Southend Airport
25 Mersey Wharf
26 Newhaven
27 Pembroke
28 Plymouth
29 Poole
30 Port of Rochester
31 Portsmouth
32 Purfleet
33 Seaham
34 Sharpness
35 Shoreham
36 Southampton
37 Tees and Hartlepool
38 Thamesport
39 Tilbury2
40 Tyne
41 Workington
42 Holyhead – proposed Inland Border Facility
43 Warrington – operational Inland Border Facility
44 Birmingham – operational Inland Border Facility
45 North Weald – operational Inland Border Facility
46 Ebbsfleet (outbound only) – operational Inland Border Facility
47 Ashford Sevington – operational Inland Border Facility
48 Eurotunnel Stop 24 (inbound only) – operational Inland Border Facility
49 Dover Bastion – Inland Border Facility under construction
50 Dover Western Docks (inbound only) – operational Inland Border Facility
51 Dover White Cliffs – Inland Border Facility under construction
52 Cairnryan – proposed Inland Border Facility (site to be confirmed)
53 South West Wales – proposed Inland Border Facility (site to be confirmed)

Notes

1 The map includes all ports which have received financial support from the Port Infrastructure Fund (PIF) only. It does not include all UK ports. The map also includes all UK inland border facilities which are operational, proposed, or under construction. The map does not include decommissioned inland border facilities.

2 Sanitary and phytosanitary (SPS) checks include documentary checks, for example of Export Health Certificates, and physical inspections of animals, plants and their products. Customs checks include checks on goods moving under the Common Transit Convention (CTC) and compliance checks.

3 The port capabilities shown on this map do not distinguish between rest of the world trade and EU trade. The UK's trade with the rest of the world is already subject to customs and SPS checks and those ports which deal with trade from the rest of the world already have appropriate infrastructure in place for this trade. However, in some cases ports have required funding from the Port Infrastructure Fund to expand these facilities or build new ones to accommodate EU trade.

4 The map shows that Eurotunnel, Port of Dover, Fishguard, Pembroke, Cairnryan and Holyhead ports do not have the physical space within the Port boundary to accommodate a Border Control Post and this required the provision of inland border facilities. These ports received PIF support for infrastructure not related to Border Control Posts (eg new roads, security facilities and hard standings).

5 Route 1 checks: A selection of declarations that require all paperwork associated with the consignment to be sent to the National Clearance Hub for checking and processing but not the physical inspection of the goods themselves.

6 There is some limited government-provided capacity for documentary checks at Dover Western Docks and Eurotunnel Stop 24 but are limited to end of transit movement (office of destination) and Admission Temporaire/Temporary Admission (ATA) carnet stamps. Dover Western Docks also provides Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) licence checks.

Source: National Audit Office analysis of Border and Protocol Delivery Group documents

- difficulties forecasting the number of hauliers that will need to use sites due to: a lack of any historical data; post-EU Exit changes to trade patterns and new ferry routings; and wide ranges in forecasts of numbers that might use the individual sites driven by external factors which are hard to predict. For example, the usage of HMRC's transit sites will be determined by the number of traders who decide to move goods under transit arrangements, and the proportion of these which decide to become Authorised Consignors and Consignees, which would mean that they would not need to present their goods for inspection at these sites.

3.16 Further information regarding the development of the sites which would not have been complete by January 2022 and their current status is set out below:

- **Kent inland facilities.** The UK government purchased two sites in Kent for inland border facilities: Ashford Sevington to serve Eurotunnel and Dover White Cliffs to serve the Port of Dover. In April 2021, the Cabinet Office EU Exit Operations (XO) committee commissioned a cross-departmental review of the need and specifications for the Dover White Cliffs site in light of increasing costs, concerns over modelling of trade volumes and information on how Border Control Posts (BCPs) within the EU were operating.[72] The review, which concluded in July 2021, determined that Dover White Cliffs should be reduced in size and be an HMRC-only facility, to fully commence operations in 2023 once Ebbsfleet has been decommissioned, but that two smaller sites near Dover should be developed for SPS checks. Construction has not yet started at Dover White Cliffs, which is not required until 2023 and is forecast to be ready for December 2022. As at September 2021 Defra was in the process of negotiating a lease for one of the two smaller sites in Dover, and anticipated work on this would be complete before July 2022. It had not yet identified a suitable second site, to be used for checks on live animals.

- **Holyhead.** In March 2021, the Welsh government agreed the location of the North Wales site in Holyhead. As at September 2021, the Welsh government had completed the first stage of planning approval through a Strategic Development Order process and the tendering for construction of the site. Taking forward construction is linked to finalising the funding mechanism for the work.[73] In addition, HMRC is also planning a separate inland site in Holyhead to undertake customs checks. HMRC purchased the Roadking site in July 2021 and is planning to have the full customs checking capability in place by January 2022 in temporary facilities, pending completion of permanent facilities later in 2022.

72 Border Control Posts are inspection posts for goods entering Great Britain via an established point of entry, to carry out checks on consignments containing animals, animal products or high-risk food and feed of non-animal origin.

73 Funding for devolved matters such as SPS controls is the responsibility of the devolved administrations. In October 2021 HM Treasury told us that in March 2021, due to exceptional circumstances, the UK government confirmed an in-principle agreement to fund costs for Welsh inland sites in 2021-22, subject to the Welsh government submitting a business case and reserve claim. Funding for future years was to be decided at the Spending Review.

- **South West Wales.** In South West Wales the Welsh government has been seeking to identify a suitable site for a BCP to serve trade coming into both Pembroke and Fishguard ports, but has had difficulty identifying a site which would meet all necessary requirements. As at September 2021, it was negotiating on the purchase of a site. If this goes ahead, building work will not be complete until 2023.

- **Cairnryan.** The Scottish Government plans to establish a BCP at Cairnryan and is engaged in commercial decisions to acquire a suitable site. It did not intend to proceed with appointing a contractor to construct the site until it had received clarity from the UK government regarding some of the details of the funding arrangements for its build and running costs and the UK government had made necessary decisions in reserved areas relating to customs requirements at the site and the second phase of unfettered access arrangements.

3.17 The facilities required for SPS checks, now due to be introduced from 1 July 2022, will not be operational at the Welsh or Scottish sites by this date. Checks will not be required at Cairnryan unless the UK government implements the second phase of its unfettered access arrangements. However, checks will be required on goods arriving into Wales from July 2022. The Welsh government intends to manage this through interim measures including undertaking some checks at the point of destination or at temporary facilities until permanent sites have been constructed. This may also be necessary for checks on some live animals arriving into Kent.

The cost of new government infrastructure

3.18 The UK government is funding the majority of the cost of building new infrastructure for checks in England, Scotland and Wales, for which HM Treasury allocated £470 million in July 2020. Ports will bear the operating costs of running their own sites and the government is yet to announce a charging policy for the use of the government-funded inland facilities. During 2021, BPDG undertook a review of the costs of running the inland sites, which concluded that the forecast cost of running the Dover White Cliffs site was unacceptably high. This informed the XO decision to build on only part of the site. HMRC and Defra are also currently reviewing the future costs of running the sites for which they are responsible. BPDG is also undertaking work to determine how to bring in a charging mechanism for its inland sites so that it does not artificially distort the market by creating an incentive for hauliers and traders to use the short Channel crossings (where checks will be undertaken at government inland sites) rather than other ports. Developing the charging regime has been complicated by legal issues and, as at August 2021, BPDG considered there was a high risk that the charging regime might not be implemented by 1 January 2022.

The provision of new infrastructure at ports

3.19 Many checks will take place at ports rather than inland facilities. The government launched the Port Infrastructure Fund (PIF) in October 2020 to enable ports which handle goods imported from the EU to access funds to build the infrastructure required.[74] Of the 53 ports that applied to the fund, 41 were successful in their application, and a total of £200 million was allocated. The fund was oversubscribed and, as a consequence, successful ports were allocated a 34% reduction on the amount they bid for. Ports are using the funding to build or enhance facilities to enable government officials to undertake customs, transit and SPS checks, as well as checks on goods covered by international conventions and commitments. Not all ports will have facilities to enable all checks, and hauliers will need to plan their route such that they enter the UK through a port or via an inland border facility that has facilities appropriate to the goods they are carrying.

3.20 During May to July 2021, we consulted with ports and port representative organisations. The UK Major Ports Group told us that the PIF process has been difficult, the funding outcome has been disappointing and that late changes to timelines and changes to specifications previously agreed with government had caused unnecessary increases in cost and delays to project delivery. Ports and port representatives shared concerns over a lack of contingency plans if infrastructure was not ready for the January 2022 deadlines, and about the potential for unfair distortion of trade between ports. In addition, ports were also concerned that the charging mechanism for BCPs was still to be decided and about risks in terms of unfair competition of different approaches being taken at BCPs at ports and inland sites.

3.21 As at August 2021, BPDG reported that all ports, with the exception of two, were forecasting that they would have completed building the new infrastructure required for checks by 1 January 2022. However, BPDG reported the overall risk on port readiness as amber-red because of a lack of confidence in the delivery timetable and in all ports' ability to be operationally ready for checks. It was working with ports where delivery confidence was low to agree alternative plans including the use of temporary designations for SPS checks.[75] The International Meat Trade Association told us that it was concerned about whether BCPs would be ready in January, and whether hauliers would have to re-route if there was no BCP at the entry point they would usually use. It also expressed concern that, unless BCPs operate on a 24-hour basis, they will not cater for the needs of just-in-time industries. Most changes at ports funded through the PIF do not now need to be ready until July 2022.

74 HM Government, *£200 million Port Infrastructure Fund opens for bids*, October 2020. Available at: www.gov.uk/government/news/200-million-port-infrastructure-fund-opens-for-bids

75 Ports need to be designated to carry out specific checks on animals, plants and their products arriving from the EU.

Resources

3.22 Additional staff are needed to introduce full import controls and facilitate the additional movement of goods under the CTC. Increases in HMRC and Border Force are both needed for January 2022 and, in the summer of 2021, both told us that they were confident that they would have the staff required in place in time, although HMRC noted that further increases may be required. BPDG reporting in August 2021 confirmed that Border Force recruitment was on track and did not raise any risk in relation to HMRC recruitment.

3.23 Within Defra, the Food Standards Agency, the Animal and Plant Health Agency and Port Health Authorities additional staff, including specialist roles, are needed to monitor and control the imports of animals, plants and their products from the EU. Defra told us that recruitment plans are on track and in July 2021 Defra reported no significant issues in recruitment. However, there is less certainty that all specialist staff will be in place in time. The Association of Port Health Authorities told us that more staff are needed and specialist roles such as vets are hard to recruit. Port Health Authorities have also expressed concern about difficulties forecasting the number of checks required and a potential wide range between the upper and lower bounds of what might be required. As at August 2021, BPDG reported an amber risk for both Port Health Authority and Defra staffing for January 2022. Some of the specialist staff required will not now be needed before July 2022.

Assurance and operational testing

3.24 The Infrastructure and Projects Authority (IPA) within the Cabinet Office is undertaking a programme of assurance during 2021, including reviews of key departmental programmes and cross-government reviews of systems and infrastructure. As at October 2021, IPA had undertaken seven reviews which fell within the scope of this report since we last reported. Key issues raised included: the impact of policy uncertainty on project management; the need for prioritisation as a result of resource constraints; and a lack of clear accountability where responsibility for delivery sits across departments. BPDG also undertook assurance and risk management activity through: participating in key programmes at board level; IT systems delivery assurance activity; and a programme of operational testing, in which the IPA also participated.

3.25 Operational testing has focused on testing import scenarios at high-impact locations across the UK as well as reviewing import and export processes. As at August 2021, one piece of operational testing had been completed looking at SPS imports from Ireland to GB. The test found six areas to improve the process, for example, the test identified a difference in formatting between Irish and GB EHCs, which requires action from outside UK government. This test also found that traders had a positive experience of IPAFFS, found the system easy to use and had the ability to edit information on the system. BPDG reporting in July and August 2021 noted that there was very limited time for operational testing at ports and elsewhere due to late delivery of infrastructure. With the further delay to the introduction of full import controls, there is now more time available to conduct operational testing at ports.

Third-party readiness for the introduction of full import controls

3.26 Third parties also need to be ready for the introduction of import controls. This includes: the traders who will need to make additional declarations to export goods from the EU into the UK; the hauliers who carry the goods; and others such as ports, who need to make changes to infrastructure, systems and resources, to enable the flow of goods.

Port readiness

3.27 In addition to putting in place appropriate infrastructure to facilitate checks (see paragraphs 3.19 to 3.21), ports also need to decide which model of customs control they intend to operate and put in place arrangements by January 2022. HMRC is responsible for engaging with ports to help them choose which model is the most appropriate for their requirements. Ports have four options, which are:

- a temporary storage model where goods coming into GB can be stored at the frontier for up to 90 days before being declared to customs. This model requires space and infrastructure to store goods at the port;
- a pre-lodgement model where goods arriving into GB will be required to have submitted customs declarations in advance of boarding on the EU side. Use of the pre-lodgement model requires the port to operate the new GVMS system;
- a mixed model which is a combination of the above models; or
- a bespoke model which can be used with HMRC agreement in exceptional circumstances where neither of the core customs models are appropriate. Any bespoke solution must meet the same control principles as the core model.

3.28 Once ports have decided upon the model they wish to operate, the National Frontiers Approval Unit (NFAU) within Border Force needs to issue an approval. Port representatives told us that they were concerned about the length of time it was taking for approvals to come through. HMRC told us that it had been working with ports to provide information on port models since February 2021 and ports were initially asked to confirm their choices by 28 February. Some ports had sought clarifications to enable them to decide which model to adopt and HMRC told us that it had continued to provide one-to-one support to ports since February. NFAU told us that a combination of delays to finalising the policy detail of the customs control models and limited early engagement from some port operators had resulted in a challenging timeframe to complete approvals. As at 28 September 2021, 255 of the 261 ports had selected a model, 180 had applied to the NFAU for approval and 39 had been granted approval. NFAU is bringing in additional staff to try and process the backlog before the end of December 2021, with HMRC providing resource to bolster NFAU capacity.

Trader and haulier readiness

3.29 As was the case for the end of the transition period, a lack of trader and haulier readiness is one of the most significant risks to preparations. Departments face a more significant challenge in trying to encourage these groups to prepare this time because much of their engagement needs to focus on stakeholders in the 27 countries within the EU. Departments, therefore, need to make it as easy as possible for traders and hauliers to prepare, or there is a risk that traders will choose not to export goods to the UK, which will affect the flow of goods from the EU to the UK.

3.30 Departments told us that they are drawing on the experience of their preparations for the end of the transition period by undertaking targeted action to help traders and hauliers prepare. This includes:

- developing their multi-channel marketing and engagement approach, which includes continuing with webinars, YouTube videos, support helplines and public information campaigns;
- developing guidance, including updating the Border Operating Model, as well as specific guidance pages and the Haulier Handbook;
- building a better understanding of traders and hauliers' readiness to target the traders by value and segment customers based on awareness;
- working with EU member states to assist with preparedness for import controls. For example, the Department for International Trade (DIT) hub in Prague has supported UK engagement with EU hauliers and the Department for Transport (DfT) has worked with member states to establish information and advice sites near major EU ports facing GB;

- further events targeted at both GB and EU traders including BPDG's Industry Day Programme, at which practical details are provided about moving goods between the EU and GB;
- setting up information and advice sites on key ferry routes; and
- developing an Export Support Service within DIT, which launched on 1 October. This service includes a helpline, digital offering, a Market Access Centre in Europe, and specialists on hand and/or points of contact into other departments.

3.31 Stakeholders, such as the Confederation of British Industry and the National Farmers Union, told us that they had concerns about the availability of government guidance and, in particular, about delays regarding the updating of the Border Operating Model. Stakeholders waited for an updated model from 11 March 2021, when import controls were delayed for the second time, until 20 July 2021. They told us that this was a significant concern as it is the Border Operating Model to which many businesses first look for guidance. Stakeholders told us that guidance from individual departments, for example, individual guidance pages, have not always been aligned, and therefore they rely on the Border Operating Model for cross-government information.

3.32 HMRC research on trader readiness found only one-third of traders said it was easy to find information on GOV.UK about changes to the process for moving goods between GB and the EU. Research commissioned by the government concludes that businesses are not necessarily spending time reading guidance in advance, but instead investigate as and when it is needed. The research notes that this may lead to a sense of feeling overwhelmed for businesses, particularly smaller ones. The Federation of Small Businesses told us that it welcomed the range of detailed guidance and extensive series of events and webinars that departments had made available to businesses but noted that guidance was not always easily applied by smaller firms, which lack the human and financial resources of larger businesses. They also noted that, even for firms with experience of handling non-EU trade, when import controls are introduced, the volume of administrative requirements risks overwhelming them.

3.33 As at August 2021, BPDG rated both trader and haulier readiness amber-red for import changes which were due to come in from January 2022. This reporting also shows that there was a risk that a lack of trader readiness might lead to disruption to supply chains. If hauliers and traders in EU countries consider that exporting to the UK is too onerous to be worthwhile, this could reduce the flow and availability of food and other products to the UK. This risk has been reduced in the short term by the government's decision to further delay some elements of import controls, such as pre-notification of SPS goods (delayed from October 2021 to January 2022) and the requirement for safety and security declarations on imports (delayed from January 2022 to July 2022). However, trader and haulier readiness remains a significant risk.

Management of compliance risk

3.34 In its management of the border the UK government needs to balance the priorities of flow; fiscal and regulatory compliance; and security. Since the end of the transition period, by delaying the introduction of full import controls, the UK government has chosen to prioritise the flow of goods over compliance but not at the expense of security. After the introduction of import controls, departments will no longer be able to prioritise flow to the same extent and will need to put in place new compliance regimes to manage the fiscal and regulatory risk of goods crossing the UK border.

3.35 HMRC is responsible for establishing a fiscal compliance regime for goods arriving from the EU. Since 1 January 2021, HMRC has focused on putting in place a compliance regime which aims to support and build trader capability to meet their obligations and prioritise tackling the known highest-risk traders. Although the zero-tariff free trade agreement reached means that the fiscal risk relating to goods arriving in the UK from the EU is less than would have been the case in a no-deal scenario, some risk does remain. In November 2020, the Office for Budget Responsibility (OBR) estimated the indirect risk to VAT and excise duties as a result of border changes. It reduced its forecast for VAT in 2021-22 by £600 million and its forecast for alcohol and tobacco duties by £100 million.[76] It also noted a potential risk of £200 million for non-compliance in relation to customs duty, including around the operation of the Northern Ireland Protocol. In January 2021, HMRC told the Committee of Public Accounts that it did anticipate some increase in compliance risk because of the decision to phase import controls, but that it hoped it would be less than the OBR's forecast.[77]

76 The Office for Budget Responsibility, *Economic and fiscal outlook – November 2020*, 25 November 2020. Available at: https://obr.uk/efo/economic-and-fiscal-outlook-november-2020/

77 HC Committee of Public Accounts, *Oral evidence: UK Border 2021: Update,* HC 1154, 21 January 2021. Available at: https://committees.parliament.uk/oralevidence/1669/default/

3.36 Defra and the devolved administrations, working with several other agencies such as the Food Standards Agency and the Animal and Plant Health Agency, are responsible for protecting biosecurity and public health in the UK (see **Figure 15** for the full list of responsible agencies). As part of this, they undertake checks on SPS products. During the UK's membership of the EU, SPS imports were subject to limited import controls and did not receive any checks at the border, unlike SPS imports from third countries, which are subject to a variety of controls. In designing its compliance regime, Defra has decided to adopt a single approach to plants and plant products arriving from the EU and non-EU countries, taking the opportunity to apply import requirements and increase the level of checking on plants to mitigate biosecurity risks. In line with the latest timetable for introducing SPS controls on EU goods, Defra intends to introduce a common plant health regime, treating all third countries consistently, from 1 July 2022. With regard to animal and animal products, Defra is reviewing controls on EU and non-EU goods in light of existing and new trade agreements and changes in risk status. It intends to introduce any changes to controls following this review in 2022.

3.37 Stakeholders we have spoken to have raised concerns about some aspects of the compliance regimes being developed. For example:

- the British International Freight Association told us that it was aware that lots of goods, including foodstuffs, were being brought into the country without subsequently being declared, under the delayed declaration regime;
- the Association of Port Health Authorities told us that it was concerned that Port Health Authorities may not have any capacity to undertake market surveillance on food and feed arriving in the UK from the EU and could only undertake checks on goods that they are notified of; and
- the Horticultural Trades Association told us that it was concerned that the same regime and level of checking was being applied to plants which present a higher biosecurity risk as those which are relatively low risk, with associated costs for the industry.

3.38 The government intends to build up its compliance regime over time. As it introduces import controls, the government will begin receiving a large amount of information about the flow of goods crossing the EU–UK border, which it did not previously receive. It will need to build up its capability to analyse these data and effectively target risk. The government's decision to delay the introduction of full import controls for a third time is unlikely to have a significant immediate impact on the risk that the UK faces relating to goods crossing the border from the EU. However, any gaps in the UK's border arrangements could be exploited and the longer that import controls are delayed the longer it will be until departments can use this new information to effectively target risks such as those relating to smuggling and food safety.

Figure 15
Organisations responsible for implementing the sanitary and phytosanitary (SPS) control regime

There are a range of departments and agencies with differing responsibilities for implementing SPS controls

Body involved in SPS checks at Border	Role
Department for Environment Food & Rural Affairs (Defra)	Responsible for putting in place the systems, infrastructure, resources and legislative changes required to enable the introduction of and to undertake sanitary and phytosanitary (SPS) checks in England, for goods to and from the European Union.
Animal and Plant Health Agency (APHA)	Responsible for ensuring that all animals and plants entering and leaving the UK have the correct documentation and meet the requisite standard. APHA are required to ensure adequate checks are carried out at the border in line with Defra border policy.
Welsh Government and Scottish Government	Responsible for food safety, the protection of human, animal and plant health, and the environment, and responsible for SPS checks at the Welsh and Scottish borders, for goods to and from the EU (including Ireland).
Port Health Authorities (PHAs)	Responsible for monitoring food imports. PHAs carry out a range of health controls at the UK border, these include checks on imported food, inspecting ships and aircraft for food safety and infectious disease control, as well as general public and environmental health checks. Through PHAs, port health controls are managed by local authorities, who enforce regulations on behalf of central government.
Food Standards Agency (FSA)	Provides advice and interpretation to government and local authorities on import and export controls.
Forestry Commission	Implements plant health regulations and carries out physical checks on imports to protect the natural environment and plant-based industries from the introduction of harmful tree pests and diseases.
Department for Agriculture, Environment and Rural Affairs (DAERA)	Responsible for putting in place the systems, infrastructure and resources to undertake SPS checks in Northern Ireland.

Source: National Audit Office analysis of department documents

Other significant future events relating to the management of the border

The implementation of the Customs Declaration Service and migration of traders

3.39 Customs declarations for GB–EU trade are submitted via the CHIEF system. The CHIEF system is around 25 years old and in 2013-14 HMRC began work on a replacement system, the Customs Declaration Service (CDS). We have reported twice on HMRC's implementation of CDS and also updated on progress in our previous border preparedness reports.[78] HMRC originally intended that all users would be making customs declarations through CDS by January 2019. However, the project was delayed primarily to allow the external providers building the systems to connect traders to CDS, to prioritise requirements for the potential no-deal EU Exit deadlines and subsequently for the end of the transition period. By mid-October 2021, only 42 users out of a population of around 5,000 had migrated to CDS. HMRC told us that 12 of these users were high-volume users, responsible for making large numbers of declarations.[79,80]

3.40 Given the delays rolling out CDS, HMRC will run CDS and CHIEF in parallel until all traders have been migrated to CDS. To support this, in 2020 HMRC extended its contract with Fujitsu to provide CHIEF for another five years, at a cost of £17 million per year, and started a programme of work to improve the resilience of the CHIEF system. It also started work to upscale both CHIEF and CDS, although in the period between January and August 2021 48 million declarations were made; HMRC predicts that future volumes of declarations will increase significantly as trade volumes increase and import controls are phased in.[81] Since we last reported, HMRC has increased the capacity of CDS from 60 million to 200 million declarations a year. HMRC plans to complete key CDS development work by January 2022, which would allow HMRC to transition all users onto CDS. It plans to do this in a phased approach; CHIEF will close to import declarations in September 2022 and close to export declarations in March 2023, allowing CHIEF to be retired by the end of June 2023. These dates were communicated externally to industry in August 2021.[82] The current plan will see most traders having to change their customs IT systems at around the same time as customs easements are removed and full import checks are implemented.

78 Comptroller and Auditor General, *The Customs Declaration Service*, Session 2017–2019, HC 241, National Audit Office, July 2017. Available at: www.nao.org.uk/wp-content/uploads/2017/07/The-Customs-Declaration-Service.pdf Comptroller and Auditor General, *The Customs Declaration Service: a progress update*, Session 2017–2019, HC 1124, National Audit Office, June 2018. Available at: www.nao.org.uk/wp-content/uploads/2018/06/The-Customs-Declaration-Service-a-progress-update.pdf

79 Users of CHIEF and CDS are traders who interact with the systems directly, or those, such as community systems providers, who make declarations on behalf of traders.

80 The 42 users relate to trade between GB and the EU or trade between the UK and the rest of the world. This does not include trade between GB and Northern Ireland where CDS is being used for all trade (see Part Four).

81 The '48 million declarations' relates to all customs declarations submitted on CHIEF for GB–EU and UK–rest of the world trade. It does not include the customs declarations submitted on CDS over the same period, of which there have been fewer than a million. 44 million declarations were submitted during the whole of 2020.

82 HM Government, *Customs Declaration Service to become UK's single customs platform*, 3 August 2021. Available at: www.gov.uk/government/news/customs-declaration-service-to-become-uks-single-customs-platform

3.41 HMRC's timetable for completing work on CDS and migrating traders is challenging with its current resources and it is identifying the highest priority requirements to reduce delivery risk. This means that further work will be needed later to develop CDS. For example, when CHIEF is retired, CDS will not fully replicate all CHIEF's functionality immediately and workarounds will be required for some low-volume declarations, for example on importing composite goods into GB that contain alcohol and mineral oils. HMRC is planning to make further investments in CDS to improve its operational efficiency and to add additional features requested by traders and declarants.

The 2025 UK Border Strategy

3.42 In December 2020, the government published its *2025 UK Border Strategy*, in recognition of the changes brought about by EU Exit, as well as other challenges and opportunities relating to the management of the border.[83] This set out the government's vision to have the world's most effective border by 2025. Examples of where the government intends to use the strategy to guide improvements to its current operating model include: further coordination between government departments and agencies at the border; reducing the duplicative asks for data and examinations; and a greater use of modern, digital and simple processes. As part of this work, BPDG intends to develop a 'balanced scorecard' approach to measuring the effectiveness of the border. It plans to begin measuring performance against key indicators from autumn 2021 and to publish the first set of results in late 2022, after the introduction of border controls.

Changes relating to the flow of passengers across the border

3.43 Since the end of the transition period, there have been further changes to the arrangements for passengers crossing the border between the UK and the EU. From 1 October 2021, the UK has no longer accepted ID cards as a valid travel document for entry to the UK, and passports have been required instead. This affects passengers mainly, but also hauliers who largely currently travel on ID cards. Further changes are due to come into effect by the end of 2022 when the EU intends to require all travellers arriving from outside of the Schengen Area to apply for a European Travel and Authorization System (ETIAS) travel authorisation.[84] This means that tourists and business travellers moving across the border from the UK to the EU will need to apply for an ETIAS authorisation before travelling. As at October 2021, travel continues to be restricted by the COVID-19 pandemic. It will not be clear how significantly the movement of passengers across the border will be affected by the changes that have occurred and those to come until travel returns to 'normal' levels.

83 HM Government, *2025 UK Border Strategy*, CP 352, December 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945380/2025_UK_Border_Strategy.pdf

84 The Schengen Area is a zone where 26 European countries abolished their internal borders, for the free and unrestricted movement of people, in harmony with common rules for controlling external borders and fighting criminality by strengthening the common judicial system and police cooperation.

Part Four

The implementation of the Northern Ireland Protocol

4.1 At the end of the transition period, the Northern Ireland Protocol (the Protocol) came into force governing the movement of goods between Great Britain (GB) and Northern Ireland (NI) under the new trading arrangements resulting from the Withdrawal Agreement. The UK government is seeking to negotiate with the EU significant changes to the Protocol. Details of the government's proposals are set out in its July 2021 command paper, *Northern Ireland Protocol: the way forward*.[85] This part sets out the:

- background to the Protocol;
- government preparedness and progress in implementing the Protocol;
- impact of the Protocol on trade; and
- future requirements of the Protocol.

In November 2020, we reported that implementing the Protocol was very high-risk due to: the scale of the changes required; the limited time available; the dependence on ongoing negotiations; and the complexity of the arrangements.

85 HM Government, *Northern Ireland Protocol: the way forward*, 21 July 2021. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008451/CCS207_CCS0721914902-005_Northern_Ireland_Protocol_Web_Accessible__1_.pdf

Background to the Protocol

4.2 Following the 2016 UK vote to leave the EU, negotiators sought to maintain the open land border on the island of Ireland, in accordance with the 1998 Belfast (Good Friday) Agreement, while enabling the UK and EU to diverge on customs and sanitary and phytosanitary (SPS) standards. Some officials noted that such regulatory divergence would potentially raise trade barriers between Northern Ireland and Great Britain. The solution allowing the UK and the EU to diverge agreed in the Protocol by the UK and the EU was that Northern Ireland remained part of the United Kingdom customs territory, benefitting from new trade deals the UK signs with third countries, while applying the EU Union Customs Code and following EU single market rules. Under the terms of the Protocol, the NI–GB boundary has become the external boundary for the UK and EU for customs rules and some border checks between GB and Northern Ireland are required, notably for agri-food movements. The UK government is responsible for implementing most of the changes required for these checks. The Northern Ireland Department of Agriculture, Environment and Rural Affairs (DAERA) has devolved responsibility for implementing SPS checks in Northern Ireland. The UK government has an in-principle agreement with the Northern Ireland Executive to fund the necessary costs of implementing the Protocol.

4.3 The UK and the EU reached an agreement in principle on the terms of implementation of the Protocol on 8 December 2020, and it came into force on 1 January 2021 after the transition period ended on 31 December 2020. The subsequent agreement of the Trade and Cooperation Agreement (TCA) between the UK and EU on 24 December 2020 removed some further elements of complexity, significantly reducing the number of goods subject to tariffs when moving from GB into Northern Ireland. The Protocol still required additional checks and controls, especially on agri-food goods. At the time of the agreement, the UK and EU agreed to various grace periods to provide more time to resolve specific issues, including delaying SPS checks on supermarket food products for three months. **Figure 16** on page 83 sets out all the grace periods and the original timetable for their introduction. However, since then, there have been further developments, which has made the nature of the arrangements to be introduced, and the timetable for their introduction, more uncertain:

- On 3 March 2021, the UK government unilaterally extended supermarket and supplier grace periods until 1 October 2021.[86] The UK government stated that this further extension was necessary to enable businesses to make changes to their supply chains to enable compliance with the Protocol. The EU considered that this action breached the substantive provisions of the Protocol, as well as the good faith obligation under the Withdrawal Agreement. On 15 March 2021, the EU began a formal infringement procedure against the UK.[87]

86 UK Parliament statement, *Northern Ireland Update*, 3 March 2021. Available at: https://questions-statements.parliament.uk/written-statements/detail/2021-03-03/hcws819
87 Official Website of the European Union, *Withdrawal Agreement: Commission sends letter of formal notice to the United Kingdom for breach of its obligations under the Protocol on Ireland and Northern Ireland*, 15 March 2021. Available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_21_1132

- On 21 July 2021, the UK government published a new Command Paper proposing significant changes to the Protocol to reduce the number of checks, citing societal and economic difficulties with its present operation, burdens on businesses and the consequent diversion of trade.[88] The Command Paper includes proposals for a trusted trader scheme whereby companies would declare whether the final destination of the goods was Northern Ireland or Ireland. Companies in this scheme would avoid checks and certification for goods that are destined to remain in the UK, and only undergoing checks for goods destined for the EU. Assurance for these arrangements would be provided by the requirement for all such traders to register in a light-touch scheme. The UK proposed trusted trader scheme would significantly reduce checks required on goods entering Northern Ireland and thus the amount of preparation required, but has not been agreed by the EU. The Command Paper also proposes that the UK and the EU "should agree a 'standstill' on existing arrangements, including the operation of grace periods in force and a freeze on existing legal actions and processes, to ensure there is room to negotiate without further cliff edges, and to provide a genuine signal of good intent to find ways forward." The UK also proposes changes to the governance basis of the Protocol. These include replacing the oversight role of the Court of Justice of the European Union (CJEU) with a treaty framework, involving international arbitration to resolve disputes. Further details regarding the proposals in the Command Paper and significant events relating to the Protocol are set out at **Figure 17** on page 84 and **Figure 18** on page 85.

- On 6 September 2021, the UK announced that it would continue to operate the Protocol on the current basis.[89] The subsequent statement from the European Commission, the EU's executive arm, noted this action and stated that the Commission would not move to the next stage of the infringement procedure launched in March 2021 and would not open any new infringements for now.[90] The UK government's statement explained that there have been initial technical talks between the UK and the EU and that these will continue in order to determine whether a constructive process can be established for discussing and addressing the issues identified with the Protocol. It confirmed that: "Following on from this, to provide space for potential further discussions, and to give certainty and stability to businesses while any such discussions proceed, the Government will continue to operate the Protocol on the current basis. This includes the grace periods and easements currently in force. Operational and other guidance will be updated to reflect this approach. We will ensure that reasonable notice is provided in the event that these arrangements were to change, to enable businesses and citizens to prepare."

88 HM Government, *Northern Ireland Protocol: the way forward*, 21 July 2021. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008451/CCS207_CCS0721914902-005_Northern_Ireland_Protocol_Web_Accessible__1_.pdf

89 UK Parliament statement, *Northern Ireland Update*, 6 September 2021. Available at: https://questions-statements.parliament.uk/written-statements/detail/2021-09-06/hlws257

90 Official Website of the European Union, *Statement by the European Commission following the UK announcement regarding the operation of the Protocol on Ireland / Northern Ireland*, 6 September 2021. Available at: https://ec.europa.eu/commission/presscorner/detail/en/statement_21_4586

- On 13 October 2021, the EU proposed bespoke arrangements for the operation of the Northern Ireland Protocol.[91] This follows discussions with the UK government and stakeholders in Northern Ireland. The European Commission's press release accompanying these proposals set out solutions in four key areas:
  - a bespoke solution for Northern Ireland on food, plant and animal health;
  - flexible customs formalities to facilitate the movement of goods from Great Britain to Northern Ireland;
  - enhanced engagement with Northern Ireland stakeholders and authorities; and
  - uninterrupted security of supply of medicines from Great Britain to Northern Ireland for the long-term.

Figure 16

The grace periods relating to the Northern Ireland Protocol

Most grace periods were extended until 1 October 2021 and then maintained as part of the standstill announced in September 2021

Grace period	Description	Original date planned for end of grace period	Revised date for end of grace period	Current situation
Sanitary and phytosanitary (SPS) checks on supermarket products	Authorised traders, such as supermarkets and their trusted suppliers, will benefit from a grace period from official certification for products of animal origin, composite products, food and feed of non-animal origin and plants and plant products.	1 April 2021	1 October 2021	Maintained past 1 October as part of standstill
Checks on parcels	Customs declarations on parcels will only apply to business to business transactions of a value greater than £135, or on controlled goods.	1 April 2021	1 October 2021	Maintained past 1 October as part of standstill
Ban on chilled meat products	Chilled meats, such as sausages, may continue to move between Great Britain (GB) and Northern Ireland (NI) where normally EU rules ban goods moving from outside the EU into a territory where single market rules apply.	1 July 2021	1 October 2021	Maintained past 1 October as part of standstill
Checks on pet movements	Routine checks on the non-commercial movement of pets have been delayed.	1 July 2021	1 October 2021	Maintained past 1 October as part of standstill
Checks on medicines	Medical goods already on the market in the UK or EU at 1 January 2021 may continue to circulate freely, including those moving from GB to NI.	1 January 2022	1 January 2022	Maintained past 1 October as part of standstill

Note

1 These grace periods relate to activities which would normally apply to non-EU to EU trade but that have been deferred for trade between Great Britain and Northern Ireland.

Source: National Audit Office analysis of UK government announcements

91 European Commission press release, *Commission proposes bespoke arrangements to benefit Northern Ireland,* 13 October 2021. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_21_5215. The press release contains links to the European Commission's four non-papers (non-legislative texts) which set out the detail of its proposals.

Figure 17

UK government proposals in the July 2021 Command Paper

The UK government proposes removing checks on any goods self-certified as moving from Great Britain to Northern Ireland

Issue	UK government position proposed in July 2021 Command Paper
Use of Article 16 to suspend the Protocol	Conditions for the UK to use Article 16 have been met, given societal and economic difficulties and the diversion of trade. However, the UK government prefers a consensual approach with the EU for now, seeking a new balance within the Protocol.
Circulation of goods within Northern Ireland (NI)	Goods moving from Great Britain (GB) to Northern Ireland, but not to Ireland, should be allowed to declare as part of a trusted trader scheme and move without further customs checks. Risk-based controls would still apply to goods requiring sanitary and phytosanitary (SPS) checks, with the need for checks being reduced by an SPS agreement acknowledging where the UK and EU have similarly high standards.
Unfettered access of Northern Ireland goods in Great Britain	Proposal to eliminate collection of equivalent data to export declarations on goods moving from NI to GB, for example through shipping manifests, except for certain controlled goods.
Governance of the Protocol	The existing arrangements of the UK-EU relationship being policed by EU institutions including the Court of Justice of the European Union are unusual and have not helped solve issues that have arisen. The UK proposes returning to a normal treaty framework, as in the Trade and Cooperation Agreement, with collective governance and disputes being settled through international arbitration.

Note

1 Article 16 is the section of the Protocol which allows the UK or the EU to impose appropriate safeguards to address serious economic, societal or environmental difficulties that are liable to persist, or diversion of trade. However, such measures must be limited in scope and duration to what is strictly necessary in order to remedy the situation, with priority given to such safeguarding measures as will least disturb the functioning of the Protocol.

Source: National Audit Office analysis of UK government Command Paper

Government preparedness and progress in implementing the Protocol

Systems, infrastructure and resources

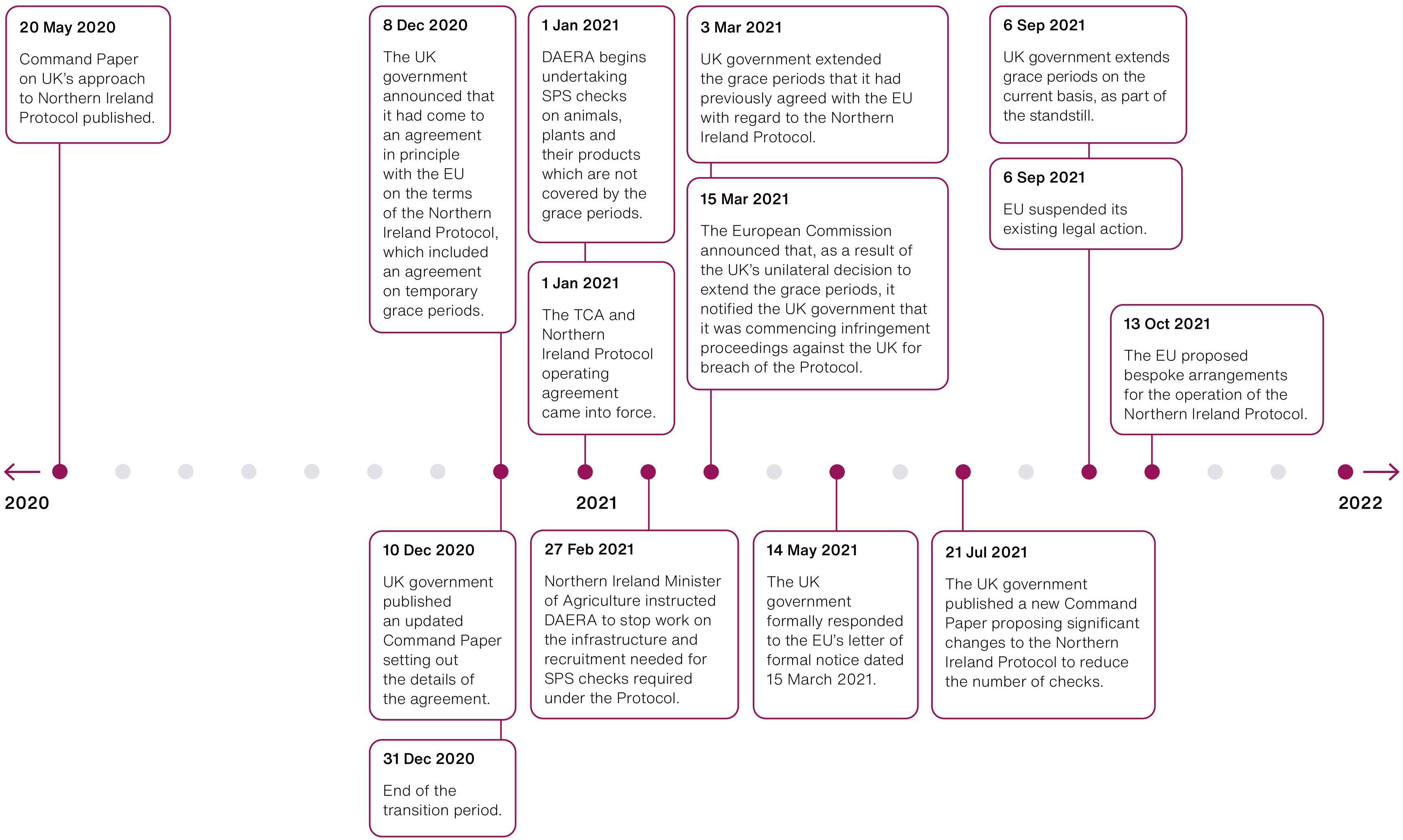
4.4 Most systems supporting implementation of the Protocol were required for January 2021. These were primarily for systems operated by HM Revenue & Customs (HMRC) as customs requirements did not receive the grace periods applied to other checks. The UK needed to deliver customs systems to:

- complete import and export declarations;
- complete safety and security declarations;
- introduce fiscal controls; and
- facilitate transit movements.

Figure 18

A timeline of developments regarding the implementation of the Northern Ireland Protocol

The Protocol came into operation from 1 January 2021



Note

1 DAERA is the Northern Ireland Department for Agriculture, Environment and Rural Affairs. SPS denotes sanitary and phytosanitary. TCA denotes the UK-EU Trade and Cooperation Agreement.

Source: National Audit Office analysis of government announcements

4.5 The government largely delivered the systems needed for implementation of the Protocol to the extent required for the start of January 2021 (see **Figure 19**). Due to the limited time available for implementation, testing of these systems took place into December 2020 in many cases, with limited time to correct any issues found. Nonetheless, most systems were ready and effective as required for 1 January 2021. This included the new Customs Declaration Service (CDS), which has come into use in Northern Ireland earlier than the rest of the UK and which was needed to enable the operation of a dual tariff regime for goods arriving into Northern Ireland.[92]

Figure 19

An overview of deliveries against the key systems required in Northern Ireland for 1 January 2021

Most of the systems required for 1 January 2021 were delivered

System required	Description	Status
Customs Declaration Service (Phase 1)	System for processing customs declarations, required in Northern Ireland from 1 January 2021	Delivered for 1 January 2021
Goods Vehicle Movement Service (Phase 1)	System to capture the details of vehicles, and the goods that they carry, when they go through ports	Delivered for 1 January 2021 except NI-GB movements
New Computerised Transit System	Electronic declaration and processing system for Common Transit Convention declarations	Delivered for 1 January 2021
Tariff Application Platform	Department for International Trade (DIT) system that transfers information about tariffs to HM Revenue & Customs (HMRC) at the border	Delivered planned high-priority items for 1 January 2021
Import Control System (Northern Ireland Phase 1)	Allows pre-arrival information to be sent to HMRC for risk analysis before the goods arrive	Delivered for 1 January 2021
Excise Movement and Control System (Phase 3)	UK and EU system to record duty-suspended movements of excise goods	Delivered for 1 January 2021

Source: National Audit Office analysis of HM Revenue & Customs documents

92 Since 1 January 2021 there have been two tariff regimes operating in relation to goods arriving in Northern Ireland. Those goods which are "at risk" of entering the EU's single market are subject to the EU tariff regime, whereas those deemed "not at risk" are subject to the UK tariff regime.

4.6 HMRC delivered the Goods Vehicle Movement Service (GVMS) to support GB–NI movements from January 2021. There was a delay in delivering GVMS functionality for the limited number of NI–GB movements requiring export declarations. This situation lasted for longer than the expected three to four weeks. GVMS functionality to support these movements was ready in February 2021, but it needed further work to be put into operation at GB-facing Northern Ireland ports. Following testing with Northern Ireland ports and carriers and the Trader Support Service (TSS), GVMS functionality for NI–GB movements went live in May 2021.

4.7 UK government departments had additional staffing requirements in Northern Ireland arising from the Protocol, relating primarily to compliance and transit activity. HMRC does not split its resource requirement between GB and Northern Ireland but was able to meet its requirements for 1 January 2021. Border Force had a requirement for 50 officers in Northern Ireland by 1 January 2021 to support checks under the Protocol, and these were in place.

4.8 New Border Control Posts (BCPs) at existing sites are necessary to carry out SPS checks on animals, plants and their products in Northern Ireland. The UK government set out its approach to infrastructure in its May 2020 Command Paper *The UK's Approach to the Northern Ireland Protocol*.[93] This Command Paper stated there would be no new physical customs infrastructure, but that existing entry points for agri-food checks would be expanded to provide proportionate additional controls. Since SPS checks are a devolved competency, these expansions are the responsibility of DAERA.

4.9 DAERA was able to put in place some temporary facilities for SPS checks for the start of January 2021, with the intention of establishing permanent facilities at a later date. By July 2021, DAERA had undertaken more than 40,000 document checks and more than 3,000 physical checks on agri-food goods entering Northern Ireland. However, in evidence to the Northern Ireland Assembly Agriculture Committee on 15 April 2021, the Northern Ireland Chief Veterinary Officer said that even during the grace periods, at best 38% of goods that should have received physical inspection did so.[94] This was caused by a lack of facilities and staff. Under the terms of the Protocol as agreed in December 2020, further infrastructure will be needed for additional checks when the grace periods end. On 27 February 2021, the Northern Ireland Agriculture Minister instructed DAERA to halt work on permanent BCPs, citing practical difficulties in implementing the Protocol, including through supply chains and at BCPs, that threatened food supply in Northern Ireland. He also ordered officials to stop recruiting BCP staff. On 15 April 2021, DAERA had 12 vets at ports compared with a requirement of 27 during the grace period, which would further increase after the end of the grace period. The UK government is seeking to reduce these requirements through its proposals for changes to the Protocol in the July 2021 Command Paper.

93 HM Government, *The UK's Approach to the Northern Ireland Protocol*, 20 May 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/887532/The_UK_s_Approach_to_NI_Protocol_Web_Accessible.pdf

94 Northern Ireland Assembly Committee for Agriculture, Environment and Rural Affairs, *Withdrawal of DAERA and Local Authority Staff from Ports*, Official Report (Hansard), 15 April 2021, p.18. Available at: http://data.niassembly.gov.uk/HansardXml/committee-25892.pdf

Government support for traders

4.10 The Protocol introduced new obligations for traders moving goods into Northern Ireland from GB, who must now demonstrate compliance with EU single market rules and the EU Union Customs Code. The UK government acknowledged the potential burden on traders and decided to provide additional support to traders moving goods under the Protocol. It has allocated funding totalling more than £500 million for systems and schemes which help traders to complete new processes or refund costs incurred.[95] These include the:

- Trader Support Service (TSS) (paragraphs 4.11 to 4.14).
- Movement Assistance Scheme (MAS) (paragraphs 4.15 and 4.16).
- Digital Assistance Scheme (DAS) (paragraph 4.19).

The government intended to deliver TSS and MAS from the end of the transition period, while DAS was to be delivered later.

The Trader Support Service

4.11 The TSS completes customs and safety and security declarations in HMRC systems on behalf of businesses moving goods from GB to Northern Ireland, while also providing advice and education. The UK government determined that Northern Ireland would not be able to develop a private customs intermediary market, even with government support, before the Protocol took force. Many companies were also not ready to make their own declarations in CDS. In December 2020, HMRC entered into a contract with a consortium led by Fujitsu to set up the TSS. In July 2021, the government expected to spend a total of around £360 million on the TSS between 2020 and 2022.

4.12 TSS began registering traders and providing guidance in the autumn and went live to receive declarations from 21 December 2020. The UK government announced the creation of the TSS in August 2020 and had a delivery risk rating of red as late as the beginning of December. It was set up quickly to be available to businesses regardless of size or industry. On 12 January 2021 only 0.16% of declarations took longer to process than the service level agreement time of 15 minutes, and on 1 February 2021 more than 97% of calls to the TSS were answered within 30 seconds. Between January and September 2021 the TSS facilitated the movement of around 1.2 million consignments moving into Northern Ireland.

95 See footnote 88.

4.13 Despite its initial success, and ongoing support to traders, the TSS has faced issues which are reflected in mixed satisfaction rates, as between February and June 2021 customer satisfaction scores have declined as more complexity was introduced relating to customer declarations. Some users of the TSS, while acknowledging its overall value, told the Northern Ireland Select Committee that TSS staff often lacked the specialist knowledge of customs to resolve more complex issues that traders bring to them.[96] Some staff were also unfamiliar with customs technology, and the advice they provided could be inconsistent. Fujitsu told us that since the Committee session in March 2021, it had improved the training of its agents, who had also grown in experience. Customer satisfaction rates have improved from a low of 58% in March to 73% in September.

4.14 HMRC has been monitoring the preparedness of the intermediary market with a view to considering its options when its existing contract with Fujitsu for running the TSS expires at the end of 2022. HMRC is also monitoring the support businesses in Northern Ireland need, with a view to informing the next steps for TSS. Around 94% of Northern Ireland businesses importing from GB are small or micro-businesses which are less likely to have the resources to meet the Protocol requirements.

The Movement Assistance Scheme

4.15 In December 2020, the Department for Environment, Food & Rural Affairs (Defra) launched the MAS to reimburse traders for some of the certification costs associated with moving animals, plants and related products from GB to Northern Ireland under the Protocol. This includes the cost of certifying Export Health Certificates (EHCs) and Phytosanitary Certificates, with the Organic Certificate of Inspections also being covered by the scheme from February 2021, and the cost of sampling and certifying High Risk Food not of Animal Origin (HRFNAO) from April 2021. By August 2021, Defra data showed that the scheme had supported more than 140 businesses and covered the cost of more than 16,400 certificates and 2,000 inspection hours. On 12 July, Defra extended the scheme until the end of 2023 and widened eligibility to include some additional costs for moving plants, sheep and organic products. HM Treasury has made almost £200 million available over the life of the programme to the end of December 2023, providing Defra the funds to reimburse to traders.

96 HC Northern Ireland Affairs Committee, Oral evidence: *Brexit and the Northern Ireland Protocol*, HC 767, 17 March 2021. Available at: https://committees.parliament.uk/oralevidence/1917/pdf/

4.16 Defra told us that MAS had helped significantly in covering the additional costs of the Protocol for agri-food businesses. Although the National Farmers' Union also considered MAS an important help, some stakeholders noted that the scheme did not cover all costs associated with SPS checks. In evidence to the House of Commons Northern Ireland Select Committee in January 2021, Logistics UK noted that MAS did not cover the administration cost of adding data to the Trade Control and Expert System for notifying authorities of the movement of products of animal origin.[97] At the same meeting the Ulster Farmers' Union noted a concern that MAS did not cover costs to meat and livestock producers of completing the Support Health Attestation document required to allow meat to move from GB to Northern Ireland. Defra has since enabled reimbursements of Support Health Attestation documents. Defra is partially limited in what can be covered in the scheme by the need to adhere to EU State Aid requirements.

The impact of the Protocol on trade

4.17 There is not yet any comprehensive data available on how the Protocol has affected trade flows in and out of Northern Ireland. However, despite the assistance provided, there is evidence of some disruption resulting from the new trading arrangements between GB and Northern Ireland outlined in the Protocol. For example:

- **there has been an increase in trade between Northern Ireland and Ireland.** Trade data published by Ireland's Central Statistics Office (CSO) showed that goods exports from Ireland to Northern Ireland between January and August 2021 had increased by 47% compared with the previous year, although this will also be influenced by COVID-19 lockdowns. CSO reported goods imports from Northern Ireland to Ireland had also increased, by 61% over the same period year-on-year.[98] This may also indicate that trade is diverting from GB-NI trade routes to Ireland-NI trade routes.
- **businesses have reported impacts from the new arrangements.** For example, research by the Consumer Council between January and June 2021 found that at least 200 companies from GB have stopped sending products to Northern Ireland since the beginning of 2021.[99] In response to an April 2021 survey by Manufacturing NI, more than three-quarters of Northern Ireland manufacturing businesses stated that they were negatively affected in the first three months of 2021, with 36% expecting the issues to persist.[100] The largest issues were the preparedness of GB suppliers for trading under new arrangements, and the willingness of GB suppliers to do so. 23% of those surveyed had switched from GB suppliers to Northern Irish or Irish suppliers.

97 HC Northern Ireland Affairs Committee, Oral evidence: Brexit and the Northern Ireland Protocol, HC 767, 6 January 2021. Available at: https://committees.parliament.uk/oralevidence/1471/html/
98 Central Statistics Office, *Goods Exports and Imports*, 15 October 2021. Available at: www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsaugust2021/ Table 4.
99 Consumer Council, Research Briefing – *The Northern Ireland Consumer Experience of EU Exit*, June 2021. Available at: https://committees.parliament.uk/writtenevidence/37314/pdf/ paragraph 44.
100 Manufacturing NI, *First post Brexit survey reveals extent of challenges faced by NI Manufacturers*, 11 May 2021. Available at: www.manufacturingni.org/first-post-brexit-survey-reveals-extent-of-challenges-faced-by-ni-manufacturers/

- **some sectors have been disproportionately affected.** The agri-foods and live animal industries have been particularly affected due to the additional SPS requirements of the Protocol. By July 2021, even with the grace periods in place, DAERA had undertaken more than 40,000 document checks and more than 3,000 physical checks on agri-food goods entering Northern Ireland. This would affect, for example, businesses that are solely hospitality or food service without a retail component, which are not covered by the grace period that applies to supermarkets and their suppliers.[101] Logistics UK told us that most problems encountered on the movement of goods between GB and Northern Ireland related to products of plant and animal origin due to a combination of customs formalities and SPS requirements, which has added significant financial costs and delays.

Future requirements of the Protocol

4.18 Under the terms of the Protocol as it stands, when the grace periods expire, there will be an increase in declarations and checks on goods entering Northern Ireland, most notably those relating to SPS requirements where there would be at least a fourfold increase in checks. Prior to the publication of the July 2021 Command Paper, the UK and Northern Ireland governments had been undertaking some work to prepare for the end of the grace periods on 1 October 2021. Paragraphs 4.19 to 4.23 summarise the likely state of preparedness had the grace periods ended on 1 October 2021. Any further negotiations and changes to the approach will affect the need for the preparations below. However, some further preparations will be required whatever the outcome of any negotiations (see paragraph 4.24).

Systems, infrastructure and resources

4.19 The UK government plans to introduce new systems to reduce friction for agri-food businesses moving goods from GB to Northern Ireland. In December 2020, the UK government announced a Digital Assistance Scheme to make it easier for agri-food suppliers to trade into Northern Ireland by automating more of the paperwork and increase compliance with the requirements of the Protocol. The UK government has pledged £150 million for the DAS. The UK government has approved spending for the first year of the DAS scheme pending a submission of a full business case. The ambition is for delivery of DAS in early 2022, with limited trials in advance of this.

101 See footnote 96.

4.20 The systems delivered for the start of January 2021 represented an operable model, but not the full capability needed to implement the Protocol. HMRC planned a second phase to further upgrade and improve the functionality of HMRC systems in Northern Ireland. Most significantly, this included upgrades to CDS and GVMS functionality that would allow HMRC to remove some of the easements, which would improve security and revenue collection from the current position. CDS requires new critical functionality to facilitate Northern Ireland trade and GVMS needs to be upgraded to support unfettered access of Northern Ireland goods into Great Britain.

4.21 Delivering these new system requirements against a background of the ongoing political uncertainty around Northern Ireland will be challenging. The required scope may be subject to further change depending on ongoing negotiations and technical discussions with the EU. HMRC also noted a risk that it might not have the funding or staff required to deliver all the system requirements. As at 21 October 2021, HMRC rated delivery risk of systems required for Northern Ireland imports and exports, including CDS phase 2, as amber.

4.22 In April 2021, DAERA told the Northern Ireland Assembly Agriculture Committee that future infrastructure for SPS checks will require the Northern Ireland Executive to approve a full business case, as required where a minister deems spending significant, cross-cutting or controversial.[102] This was expected to be sent to the Executive in October 2021. Given these requirements, DAERA considered that there would not be permanent infrastructure for SPS checks until 2023 at the earliest. Work is being undertaken to ensure that the current temporary infrastructure at ports is more robust and can cope with current demands, since it was originally intended to be replaced during 2021.

4.23 Additional staff will be required to perform the additional checks that may need to be required after the end of the grace periods. In evidence given to the Northern Ireland Assembly Agriculture Committee on 15 April 2021, the Chief Veterinary Officer for Northern Ireland stated that there were not enough vets in post and that hiring the approximately 60 vets needed for 1 October 2021 was “getting close to unachievable”.[103] As at September 2021, the Northern Ireland Agriculture Minister had still not authorised DAERA to recruit the staff required at points of entry, with staff numbers presently being too low to carry out the required checks even before the end of the grace periods.

102 Northern Ireland Assembly Agriculture Committee, *Withdrawal of DAERA and Local Authority Staff from Ports*, Official Report (Hansard), 15 April 2021. Available at: http://data.niassembly.gov.uk/HansardXml/
103 See footnote 102.

4.24 Departments are still working through the operational implications of the extension of the grace periods. The following requirements will still be necessary in any scenario:

- Infrastructure will still be required at ports for live animal and high-risk plant checks regardless of the outcome of negotiations, as some checks will be required, and the current facilities are not adequate. It remains highly unlikely that the planned physical infrastructure will be in place prior to 2023.
- Staff will still be required to perform checks at the ports and DAERA remains significantly understaffed due to the ongoing ministerial instruction not to hire additional staff, while some existing staff have left.
- MAS will continue to provide support to businesses not covered by the grace periods, which means that support from 1 October is expected to be the same as previous months but lower than if the grace periods had ended on 1 October.
- Work on DAS is ongoing as the government expects that the technology can be used for UK–EU trade even if the outcome of any further negotiations may mean it is not necessary for GB–NI trade (see paragraph 3.11).

Unfettered access

4.25 The UK government set out in the 2020 Internal Market Act that Northern Ireland goods must continue to have unfettered access to the GB market after the end of the transition period. This is upheld in the Northern Ireland Protocol. From the start of January 2021 any goods in free circulation in Northern Ireland, which are those not under a customs procedure or in a temporary storage facility, would qualify for unfettered access. This initial approach was designed to allow maximum continuity after the end of the transition period. The UK government had originally intended to introduce the second phase of unfettered access for goods moving from Northern Ireland during the second half of 2021. The UK government has since stated that the second phase of unfettered access has been delayed due to ongoing discussions with the EU about changes to the Protocol. The second phase of unfettered access is designed to enable Northern Irish traders to continue moving goods into GB without checks, controls and tariffs, while ensuring that only businesses established in Northern Ireland benefit. Northern Ireland traders will have to prove that their consignments qualify as Northern Irish goods to attract zero tariffs within the UK internal market. In its July 2021 Command Paper, the UK government proposed that the UK should not be subject to the requirement to provide the EU with equivalent information, such as shipping manifest data, to that found in an export declaration for goods moving from NI to GB, except in the narrow cases of specifically controlled goods.

Appendix One

Our audit approach

Figure 20
Our audit approach

The objective of government	The government's objective was to be fully prepared at the border by the end of the transition period on 31 December 2020, as set out in the UK and EU Withdrawal Agreement of 17 October 2019, the Northern Ireland Protocol agreed on 8 December 2020, and the Trade and Cooperation Agreement (TCA) agreed on 24 December 2020. The government is responsible for securing the border in terms of national security, effective trade, tourism, well-managed migration, healthy communities, and the environment.
How this will be achieved	The UK ceased to be part of the EU single market and customs union following the end of the transition period. The UK government plans to implement full customs, safety and regulatory controls on goods passing between the UK and EU, following the TCA and the Northern Ireland Protocol. Therefore, the government is required to put in place new systems, upgrade existing systems and make further extensive changes. It must also manage risks over which it has less control.
Our study	This report is part of our ongoing programme of work across government to examine how the government is working to make a success of the UK's exit from the EU. Since we last reported on the management of the UK border, in November 2020, the transition period has ended, and the new relationship between the UK and the EU has begun. It sets out: the preparations that government and departments made to manage the border in Great Britain and Northern Ireland after the end of the transition period; the impact so far of the new border arrangements on international trade; and the preparations for the introduction of import controls. Our report focuses mainly on the movement of goods through ports between the UK and the EU, including roll-on, roll-off (RORO) ports, where the most change is required. However, we also acknowledge other issues such as the movement of passengers.
Our audit approach	The primary purpose of this report is to draw together and analyse information on government and third parties' progress making the changes required to manage the border after the end of the transition period and the impact of the changes to date, and to highlight future risks which the government must manage, to inform parliamentary and public scrutiny.

Figure 20 *continued*
Our audit approach

Our evidence

(see Appendix Two for details)

We have examined the work of all UK government departments with significant responsibilities at the border. We examined the government and departments' actions to prepare for the end of the transition period and to mitigate risks by:

- reviewing and analysing departments' documents including board papers, programme documentation and delivery plans;
- conducting interviews with key personnel responsible for the end of transition preparations within government departments and agencies;
- conducting interviews and analysing submissions from stakeholders; and
- undertaking data analysis of official published statistics and internal performance data from government departments and agencies.

Our conclusions

The government, departments and third parties all faced a very challenging set of circumstances at the end of the transition period. It is a significant achievement that collectively, they delivered the initial operating capability needed at the GB–EU border. However, this capability was achieved in part using temporary measures such as delaying imposing import controls, putting in place easements and providing direct financial support to businesses to help them continue to trade. The government has set its own timetable for phasing in import controls, and has revised this three times, prioritising flow over compliance. However, this cannot go on indefinitely. The current overall operating model for the EU–GB border is not sustainable, and much more work is needed to put in place a stable operating model that eliminates any risk of WTO challenge from trading partners, does not require any temporary supports, and has clarity and ease of use for border users. In the immediate term, the government and departments should focus on the following areas:

- Use the additional time from its revised timetable for introducing import controls to: address current risks, particularly relating to infrastructure and trader and haulier readiness; and provide the focused and detailed support and guidance that ports, hauliers, traders and passengers need to allow them to adapt to the new rules when these are introduced.
- Continue to monitor and understand the impact of new border arrangements on trade flows, industry sectors and the wider UK economy. This should inform a strategic approach to the withdrawal of existing support and the introduction of any further intervention or support.
- Prioritise efforts to streamline border processes and reduce the administrative burden on traders.
- Progress from an initial operating capability for the border, to one of full functionality, which is safe and secure, can facilitate trade and reduces the risk of non-compliance with WTO rules. This is of particular importance given the UK government's desire to agree trade deals with a wide range of international partners.

Regarding Northern Ireland, the situation is inherently very challenging both operationally and politically. The arrangements that the UK government put in place to help facilitate trade into NI from GB have been of value. However, it is very unlikely that all the systems, infrastructure and resources could have been put in place to implement the Protocol, as originally agreed in principle with the EU in December 2020, when grace periods were due to expire on 1 October 2021. The UK government's position is that the ending of the grace periods would impose potentially unsustainable challenges for authorities and businesses. In September 2021 it announced that it intends to continue operating the Protocol on the current basis, to allow time for further discussion with the EU. It is critical that UK government departments and devolved Northern Ireland departments deliver quickly on any agreement reached between the UK and the EU and put in place the systems, infrastructure and resources required to make it work.

Appendix Two

Our evidence base

1 Our independent conclusions on how well prepared the government was for the end of the transition period and its progress preparing for the introduction of import controls in 2022 are based on our analysis of evidence collected between March and October 2021. Our conclusions are based on:

- our analysis of departments' planning for the UK border and how departments are identifying the key systems, infrastructure and resources required for them;
- our analysis of departments' project delivery, prioritisation and performance and risk management arrangements; and
- progress made, and risks to, departments achieving their own milestones and project goals for border deliveries.

2 Our audit approach is outlined in Appendix One. We examined the government's progress through four main methods:

- **Document review** of departments' documents, including board papers, programme documentation and delivery plans.
- **Data analysis** of:
  - internal management, performance and financial data provided by government departments and agencies; and
  - official published statistics.
- **Interviews** with key personnel responsible for the end of transition preparations within government departments and agencies.
- Analysis of evidence provided by other **border stakeholders**, including conducting interviews with them and analysing submissions and reports.

Any issues brought to our attention through our interactions with government departments or other border stakeholders were triangulated against other sources to ensure accuracy. Where necessary we asked questions of the relevant parties and/or asked for more information. We rated issues by priority, based on likelihood of occurring/significance of impact to ensure we focused on the highest-priority areas.

Document review

3 We reviewed documents and management information provided to boards and committees of government departments, including the Border and Protocol Delivery Group (BPDG) at the Cabinet Office. We examined BPDG reports containing information, assumptions and updates on key risks and progress against priority areas, and documentation on border-related workstreams. We examined programme documentation and performance reports produced by individual departments and the agencies which report to them.

4 We reviewed documents provided by HM Revenue & Customs (HMRC) and Department for Environment, Food & Rural Affairs (Defra), which have responsibility for most of the key deliveries pertaining to the movement of goods between the UK and EU. Additionally, we reviewed documents from the Cabinet Office/BPDG, the Department for Transport, the Home Office, the Infrastructure and Projects Authority (reporting to HM Treasury and the Cabinet Office) and the Department for International Trade.

5 We reviewed all documents identified as containing information relevant to our scope. Where documents raised questions or were incomplete, we went back to the providers for more information.

Data analysis

6 We analysed three main types of data:

- Internal government performance and financial management information, such as HGV flows, numbers of Export Health Certificates issued or caller satisfaction with the Trader Support Service.
- Publicly available statistics from the UK Office for National Statistics (ONS), Eurostat of the European Commission, and the Central Statistics Office of the Irish Republic. This includes data on exports and imports, as well as surveys such as the ONS Business Conditions Survey (BCS). Specific ONS releases we have examined include:
  - *The impacts of EU exit and the coronavirus on UK trade in goods*, 25 May 2021.
  - *UK trade: August 2021*, 13 October 2021.
  - *Business insights and impact on the UK Economy*, Wave 36 of this dataset published on 12 August 2021.
- Ad-hoc data on trade and economic activity published by individual ports, carriers, businesses, and their representative organisations.

7 The main reason for analysing these data was to examine the impact of the end of the transition period on UK trade in goods with the EU. However, identifying the specific causes of changes to business and economic data is not easy, especially in the current period, due to:

- the impact of COVID-19, both from lockdowns depressing economic activity, and from new constraints to trade such as COVID-19 testing for HGV drivers;
- the impact of traders stockpiling and/or staying away from trading internationally until the new arrangements at the border had settled down;
- seasonal factors affecting trade flows, such as Christmas; and
- changes made to the way some statistics are collected. For example, up to 31 December 2020, UK to EU export statistics were collected via the Intrastat statistical survey, but from 1 January 2021 GB to EU export statistics are compiled directly from customs export declarations.

Our analysis focuses on the first half of 2021. Over time, as more data are published, it will become easier to determine the specific impacts of the new border arrangements. Our report presents interim findings based on data available so far and may be subject to revision as more data become available.

8 Differences in definitions, data collection, survey methodology, validation arrangements and timescales covered mean that data from government departments, statistical agencies and other border stakeholders such as ports and businesses, may not agree. To try to mitigate these factors, we have:

- collected and analysed data from a wide range of public and private sources;
- benchmarked 2021 data against a number of periods, as far back as 2018, to remove the base effects of benchmarking against 2020, which was disrupted by COVID-19, or 2019, where businesses were preparing for a potential no-deal exit from the EU;
- analysed outliers and asked questions of data providers where necessary; and
- cleared relevant statistical findings with the relevant bodies to ensure that the figures, and our presentation of them, is accurate.

Interviews

9 We conducted semi-structured interviews with key personnel responsible for preparation at the border across government departments and agencies, including: the Cabinet Office; HMRC; Defra; the Department for Transport; the Department for International Trade; the Home Office; the Food Standards Agency; and the Animal Plant and Health Agency.

10 We also spoke with personnel responsible for transition preparedness within the devolved administrations within Northern Ireland, Scotland and Wales.

Evidence from other border stakeholders

11 We supplemented evidence collected from official government departments with evidence collected from other stakeholders operating at the UK border. We did this by:

- conducting interviews with 20 external stakeholders, including ports and port associations, ferry operators, Eurotunnel and organisations which represent the logistics industry and industries affected by EU Exit;
- reviewing evidence collected by select committees with responsibility for the UK border and EU Exit at the Westminster Parliament and Northern Ireland Executive. This included listening to oral evidence sessions and examining written submissions; and
- analysing stakeholder responses to the National Audit Office's April 2021 call for evidence on preparedness for the end of the transition period. We contacted trade associations and organisations in the UK's transport and logistics sectors. The call for evidence asked for their views on the clarity of the government's plans for the border after the transition period, including in relation to the publication of the Border Operating Model and the guidance on moving goods under the Northern Ireland Protocol, and whether they had enough time to prepare to comply with new border requirements. We contacted 62 organisations and received 12 written submissions in response.

CORRECTION SLIP

Title: The UK border: Post UK–EU transition period

Session: 2021-22

HC 736
ISBN: 978-1-78604-393-1

Ordered by the House of Commons to be printed on 3 November 2021

Correction One:

The wording in key fact 140,000 needs to be amended to say the following.
Key Facts – 140,000 – Export Health Certificates signed by certifying officers for the ~~movement~~ export of goods ~~between~~ from ~~the UK~~ GB ~~and the EU~~ between January and ~~June~~ July 2021 (of which 116,000 related to the ~~movement~~ export of goods from ~~the~~ ~~UK~~ GB to the EU)

The key fact graphic should read:

23%

decrease in total UK trade in goods with EU countries comparing Quarter 1 2021 with Quarter 4 2020 (UK–EU trade flows have been affected by both EU Exit and the COVID-19 pandemic)

140,000

Export Health Certificates signed by certifying officers for the export of goods from GB between January and July 2021 (of which 116,000 related to the export of goods from GB to the EU).

48m

the number of full or simplified customs declarations made by traders to HM Revenue & Customs during the period between January and August 2021 (compared with 44 million during the whole of 2020)

£470 million	government's current allocated funding for infrastructure required for checks at the border, comprising £200 million in grants to ports through the Port Infrastructure Fund and £270 million for inland border facilities (in addition to the amount funded by ports, which is unknown)
£113 million	the amount that the government has spent on financial support for industries and sectors affected by the end of the transition period in Great Britain
>£500 million	UK government funding made available to support businesses trading in Northern Ireland
1.2 million	movements of consignments from Great Britain to Northern Ireland supported by the Trader Support Service between January and September 2021

BACK

Correction Two:

The sixth sentence in Paragraph 11 of the Summary (page 10) needs to be amended to say the following.

Between January and ~~June~~ July 2021, certifying officers have signed off 140,000 Export Health Certificates (EHCs) for the ~~movement~~ export of goods from ~~the UK to the EU~~ GB, of which 116,000 related to the ~~movement~~ export of goods from ~~the UK~~ GB to the EU.

Paragraph 11 should read:

11 As a result of leaving the EU single market and customs union, businesses face additional burdens, which will increase further as full import controls are phased in. Although the TCA has introduced a zero-tariff regime, there remain additional administrative costs which businesses face. Many of the extra burdens of border controls are not manifested at the border itself but elsewhere in the supply chain. Traders will need to complete additional declarations and face additional checks after full import controls are phased in between October 2021 and July 2022. Between January and August 2021, traders have made around 48 million simplified and full customs declarations on goods movements between GB and the EU and between the UK and the rest of the world.[6] Between January and July 2021, certifying officers have signed off 140,000 Export Health Certificates (EHCs) for the export of goods from GB, of which 116,000 related to the export of goods from GB to the EU.[7] In the longer term the government is developing a programme of work to support its ambition of having the world's most effective border, including developing technology to reduce the administrative burden of moving goods across the border (paragraphs 2.11 to 2.18 and 3.40 to 3.42, and Figures 11 and 12).

BACK

Correction Three:

The fifth sentence in Paragraph 2.15 of Part Two (page 52) needs to be amended to say the following.

Certifying officers signed off 140,000 EHCs in the period between January and ~~June~~ July 2021, of which 116,000 related to the ~~movement~~ export of goods from ~~the UK~~ GB to the EU.

Paragraph 2.15 should read:

2.15 The new SPS checks create other burdens for businesses. Firstly, smaller traders can no longer use the groupage process whereby they could share a lorry to export products together, since each consignment of goods now requires its own certificates and any single error on the paperwork for any consignment could mean all the consignments are stopped (this is a particular issue for goods with a short shelf life which need to reach markets quickly). Secondly, the extra costs of acquiring and completing the necessary paperwork impose direct costs on business. For example, businesses exporting agri-foods may have to pay for an official certifying officer to sign an Export Health Certificate (EHC). Certifying officers signed off 140,000 EHCs in the period between January and July 2021, of which 116,000 related to the export of goods from GB to the EU. The Horticultural Trades Association (HTA) estimates that traders in plants face an extra cost of £25 million to £30 million each year, which it predicts will lead to an increase in prices consumers will pay for plants of around 8%.[59] The British Meat Processors Association estimates the additional cost to the UK meat industry per year to trade with the EU as £90 million to £120 million.[60]

BACK

Correction Four:

The second sentence in Paragraph 4.8 of Part Four (page 87) needs to be amended to say the following.

The UK government set out its approach to infrastructure in its ~~December 2020 Command Paper *The Northern Ireland Protocol.*[93]~~ May 2020 Command Paper *The UK's Approach to the Northern Ireland Protocol*[93]

Paragraph 4.8 should read:

4.8 New Border Control Posts (BCPs) at existing sites are necessary to carry out SPS checks on animals, plants and their products in Northern Ireland. The UK government set out its approach to infrastructure in its May 2020 Command Paper *The UK's Approach to the Northern Ireland Protocol.*[93] This Command Paper stated there would be no new physical customs infrastructure, but that existing entry points for agri-food checks would be expanded to provide proportionate additional controls. Since SPS checks are a devolved competency, these expansions are the responsibility of DAERA.

Correction Five:

Footnote 93 also needs to be amended so it refers to the correct publication.

93 HM Government, *The UK's Approach to the Northern Ireland Protocol, 20 May 2020*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/887532/The_UK_s_Approach_to_NI_Protocol_Web_Accessible.pdf

BACK

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National Audit Office

Design and Production by NAO Communications Team
DP Ref: 010758-001

£10.00

ISBN 978-1-78604-393-1