



House of Commons  
Home Affairs Committee

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**Home Office  
delivery of Brexit:  
customs operations:  
Government Response  
to the Committee's  
First Report**

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**Fourth Special Report of Session  
2017–19**

*Ordered by the House of Commons to be  
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## Home Affairs Committee

The Home Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Home Office and its associated public bodies.

### Current membership

[Yvette Cooper MP](#) (*Labour, Normanton, Pontefract and Castleford*) (Chair)

[Rehman Chishti MP](#) (*Conservative, Gillingham and Rainham*)

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### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/homeaffairscom](http://www.parliament.uk/homeaffairscom) and in print by Order of the House.

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

### Committee staff

The current staff of the Committee are Carol Oxborough (Clerk), Phil Jones (Second Clerk), Harriet Deane (Committee Specialist), Simon Armitage (Committee Specialist), David Gardner (Senior Committee Assistant), Mandy Sullivan (Committee Assistant) and George Perry (Senior Media and Communications Officer).

### Contacts

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# Fourth Special Report

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The Home Affairs Committee published its First Report of Session 2017–19, [Home Office delivery of Brexit: customs operations](#) (HC 540), on 16 November 2017. The Government's response was received on 16 January 2018 and is appended to this report

In the Government Response the Committee's recommendations are shown in **bold** type; the Government's response is shown in plain type.

## Appendix: Government Response

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### Conclusions and recommendation 1

**The outcome of the Brexit negotiations which would cause the least upheaval for ports, points of entry, and traders doing business with EU Member States would be the preservation of the operational status quo for customs arrangements and remaining in the customs union. The Government should aim to agree transitional arrangements with the EU which involve no practical change to customs operations either in the UK or the EU, and especially at the Irish border, including the maritime border with Wales.** (Paragraph 33)

The Government wants to build a bridge from our exit to our future partnership with the EU, to allow business and people time to adjust, and to allow new systems to be put in place.

The Prime Minister's Florence speech<sup>1</sup> set out that a time-limited implementation period where we continue to have access to one another's markets on current terms would be beneficial to all. The length of the period should be determined by how long it will take to prepare and implement the new processes and new systems.

The sooner an implementation period can be agreed, the sooner all sides will have certainty and the better prepared they will be. As the Committee rightly points out ports and traders in particular will need time to change their processes and benefit from a single step transition.

As we move into phase two of the negotiations, discussing our future relationship and reaching an agreement rapidly on a time-limited implementation period will be a priority for both parties.

### Conclusion and recommendation 2 and 5

**If it is not possible for the Government to reach a deal with the EU that results in no changes to customs and border operations in the transition period, then businesses and haulage operators urgently need details of what those changes will be. At a minimum, the options under consideration should be published so that these organisations and the public sector can make the necessary plans and investments for those operational changes.** (Paragraph 34)

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1 <https://www.gov.uk/government/speeches/pms-florence-speech-a-new-era-of-cooperation-and-partnership-between-the-uk-and-the-eu>

**If no deal is reached on customs arrangements, it will result in all those involved in customs in the UK experiencing a huge amount of change in a very short time, with a vast increase required in capacity and processes at the border, with the risk of either significant delays at ports of entry, or of inadequate checks taking place. A major contingency plan is therefore needed for the border which sets out the volume and nature of checks that the Government would expect to operate in the event of no deal. It should include plans for extra staff, additional infrastructure and new processes for businesses, and set out the costs of these plans. The long lead times that these changes require mean that, even if negotiations on a transitional arrangement continue throughout next year, the country cannot afford “no deal” arrangements to be left until the last minute. Therefore, Ministers need to set out early in the New Year the timetable they will follow for decisions, including when extra staff will start to be recruited and trained on a contingency basis, and what the costs and funding arrangements will be. The Government will also need to provide detail to businesses on the checks they can expect on goods at the border in the event of no deal, so that they can put in place their own contingency arrangements. (Paragraph 41)**

The Government has set out in the Customs White Paper, published October 2017, how it is approaching customs arrangements in a contingency scenario, including its commitment to work to ensure trade flows as seamlessly as possible.

The Government does not want or expect a no deal outcome, but is planning for all potential outcomes, including the unlikely scenario in which there is no mutually satisfactory agreement.

Plans are well developed and have been designed to provide the flexibility to respond to a negotiated agreement, as well as preparing for the unlikely eventuality of leaving without a deal.

Over the past year, every Government department has been working at pace to build a detailed understanding of how withdrawing from the EU will affect its existing policies and services in a wide range of outcomes and this includes all aspects of the border.

The planning work is coordinated across Government to understand the impact of changes in border processes for users (passengers, traders) of the border and business that support the operation of the border, such as port and airport operators. Government departments are meeting as broad a range as possible of these key organisations via existing communications channels. This includes discussing border planning issues directly with ports, airports and their representative bodies, logistics and freight bodies and others such as Community Service Providers (CSPs).

Departments are working to ensure that all the critical locations have been identified amongst more than 275 ports and airports to understand the operational impacts of potential changes and how long might be needed to implement new processes or deliver changes at these locations, especially at key locations like Dover, Channel Tunnel, Holyhead which handle large volumes of EU traffic.

Departments are working on plans to recruit extra staff if necessary. Within the Home Office, workflow is actively monitored to ensure sufficient resources are in place to meet

demand at the border. A specific work stream has been set up to analyse what requirements might arise from EU exit. This work will continue throughout negotiations and as the UK leaves the EU with any resultant changes being factored into strategic planning.

Departments are working with businesses across the economy to provide the certainty they need to understand the challenges and opportunities they may face in the coming months and years.

Departments are specifying the control regimes and implications for checks under a “no deal” scenario, and this is being used as the basis for resource planning. Plans are being developed which reflect the risks associated with specific activity and the practicability of implementing checks.

As departments confirm their control regimes, they will be communicating them to traders affected and parties involved so they can be implemented in time. These will be published in accordance with normal departmental policy, but also form a part of a communications plan for traders and businesses during 2018.

### Conclusion and recommendation 3

**Given the lead times for changes in staffing, technology and infrastructure, Border Force, HMRC and other public sector agencies also need clarity rapidly if any such changes will be required for the transition. The Government must make sure that all affected agencies have contingency plans in place to introduce new systems and capacity over the next 16 months. The Home Office should also set out its own urgent assessment of the additional costs of the options for each scenario.** (Paragraph 35)

Government departments are working closely together on the detailed logistical and operational planning for managing all the impacts of the UK's withdrawal from the EU on the border. We are preparing for every outcome across a range of complex issues to develop our future approach at the border. We cannot comment on detailed planning at this time and clearly these options will be subject to the outcome of negotiations with the EU.

As stated in the response to conclusions and recommendation 2 and 5, the Home Office is already recruiting and will maintain flexibility in its plans to ensure it can adapt its approach as future requirements become clearer. Government is committed to ensuring that operational teams have the resources they need to run efficient and effective border systems and to keep the UK safe.

### Conclusion and recommendation 4

**The Brexit Secretary has stated that he wants to reach agreement on transitional arrangements in the first quarter of 2018. This timescale already poses immense difficulties if significant changes are required. If there is any further slippage to this timetable it will be extremely damaging to the smooth operation of the border regime, including to trade and security operations, and to businesses which will struggle to make major changes in such a short period of time.** (Paragraph 36)

The Government has been clear that it wants a bridge from our exit to our future partnership with the EU, to allow business and people time to adjust, and to allow new systems to be put in place. It makes sense for there to be only one set of changes. The length of the period should be time-limited. Departments are currently reviewing their plans for dealing with border related impacts of EU exit to determine how long is needed to implement new processes and systems.

The Government fully understands that investors, businesses and citizens in both the UK and across the remaining 27 Member States, as well as those from third countries around the world, need to be able to plan ahead.

As we move into phase two of the negotiations, discussing our future relationship and reaching an agreement rapidly on a time-limited implementation period will be a priority for both parties.

We also fully understand that an early and conclusive agreement is important for investors, businesses and citizens in both the UK and across the remaining 27 Member States, as well as those from third countries around the world, to provide stability and certainty.

## Conclusion and recommendation 6

**Decisions are needed as a matter of urgency on improvements to port and transport infrastructure that may be needed as a result of Brexit. The Government should significantly increase its coordination with the privately-owned ports sector to ensure that the necessary preparations for any changes required during the transition period begin immediately. Such preparations must also include anticipating any changes affecting border regimes in EU Member States, particularly France and Belgium.** (Paragraph 59)

The Government is aware that a significant proportion of the traffic at many ports is not currently subject to customs controls. We will seek to ensure that customs arrangements and mechanisms are as frictionless as possible, and that trade fluidity is maintained.

The border “industry” is extensive. It includes private sector entities that enable the border to operate or support users of the border. It includes Port and Airport operators, freight forwarders, hauliers, agents, specialist software providers, and warehouse operators.

The NAO identified 275 port and airport locations. Ownership models vary with many privately owned, some owned by local authorities and a number of ports being Trust ports i.e. governed by their own legislation. They all operate commercially.

There are approximately 1800 freight forwarding companies, a large number of customs agents, CSPs (companies who provide vital IT systems which enable ports to engage with key Government systems), software suppliers, warehouse operators and the wider road haulage industry. Evidence suggests a large proportion of these are small businesses. This industry is vital to the work in planning for March 2019 and beyond.

In addition to the existing departmental communication channels with the border industry, specific groups have been established for the purpose of holding confidential discussions with the ports, airports and their representative bodies, logistics and freight bodies, and others such as CSPs directly impacted by EU exit. For critical locations, such

as Dover and Eurotunnel, dedicated groups have been established given the critical and significant impact on them, with other groups covering a wider variety of impacted ports and airports. The discussions are confidential to enable the sharing of emerging proposals, and to ensure planning takes account of practical implications for the industry.

The UK and EU remain friends and partners, we share the same interests. The Government is serious about finding ways to make the customs border as frictionless as possible. We are reliable partners in border protection and the safe movement of goods and want to ensure that our future arrangements with the EU maximise our future trade with Europe, including through integrated supply chains.

## Conclusion and recommendation 7

**Any new arrangements put in place at UK ports will need to be replicated at the Channel ports in France and Belgium. The French ferry operator strikes in 2015 clearly demonstrated how quickly delays and backlogs can build up when the flow of traffic is interrupted at ports, and the dire knock-on effects this can have in the UK, particularly in Kent on the approach roads to Dover.** (Paragraph 60)

The Government recognises the importance of trade fluidity through the UK's key ports to the country's economy and is committed to maintaining traffic flow through the Port of Dover, the Channel Tunnel, and the local road network. There is contingency work underway to develop solutions to alleviate congestion such as seen in 2015. We recognise that there will be pressure points at border locations throughout the UK, not just at Dover and Eurotunnel, as well as overseas.

The Government is planning and preparing the UK side of the border post EU exit but cannot control what the EU may do, nor the readiness of Member States (and their ports) to deal with UK movements (e.g. exports) into the EU. If the EU decides to treat the UK as a third country and applies full third country checks to UK movements of goods, agri-products, and food then there is a risk that this will slow the flow across the border or disrupt flow if Member State ports and entry points are not prepared to deal with the changes imposed by the EU. Whether this proves to be the case is dependent on the outcome of the negotiations. Departments are working on mitigating this risk and developing contingency plans for it.

## Conclusion and recommendation 8

**This inquiry has not taken separate evidence on options and arrangements for Northern Ireland. However, it is clear that the impact on border and customs operations at the Northern Ireland border with the Republic of Ireland will be severe in the absence of specific solutions to the very complex Brexit issues affecting the island of Ireland. Decisions on the way forward are needed as a matter of urgency including on infrastructure improvements, systems and capacity.** (Paragraph 65)

We remain firmly committed to avoiding any physical infrastructure on the land border between Northern Ireland and Ireland. The principles in the Joint Report from the negotiators of the European Union and the United Kingdom are a welcome agreement on this crucial issue. We have reached a balanced set of commitments that reiterate both our commitment to avoid a hard land border, and our clear position on preserving the

constitutional and economic integrity of the United Kingdom. Avoiding a hard border and preserving North-South cooperation and funding is one of the four vital objectives within the Joint Report. The other three vital objectives are: protecting the Belfast (Good Friday) Agreement in all its parts, including the principle of consent, citizenship rights and human rights provisions at the heart of our approach; preserving the Common Travel Area and reciprocal rights for UK and Irish nationals; and respecting the Agreement regarding the constitutional status of Northern Ireland and the principle of consent.

We have always been clear that the UK is leaving the Single Market and Customs Union. Whilst we respect the EU's desire to protect the legal order of the Single Market and Customs Union, this cannot come at the cost of the constitutional and economic integrity of the UK.

The principles in the Joint Report set out our plan to address Northern Ireland's unique circumstances and the border in the context of the wider UK-EU deep and special partnership. That is the right approach; we want a deal that works for all parts of the UK, whilst recognising Northern Ireland's unique circumstances.

## Conclusion and recommendation 9

**The Government's plans for expanding the use of the "trusted trader" Approved Economic Operator and approved warehouses schemes seem sensible and are welcome. They could also help address some of the specific challenges at the Northern Ireland border. However, the Government needs do much more immediately to inform traders about what this might mean for them in practice and to develop the registration and accreditation processes so that businesses can start the process now. The Government should also ensure that it has the capacity in place to register a high volume of traders in a short period of time.** (Paragraph 69)

The UK's overall approach to customs is to provide a high level of trade facilitation for all consignments, not just those in trusted trader schemes, while maintaining appropriate, targeted and intelligence-led compliance. This is borne out by the UK being ranked 5th in the world for efficiency of customs clearance (World Bank Logistics Performance Index 2016). Some other countries choose to have a more marked difference between processes for AEOs and non-AEOs.

Businesses meeting the required criteria are welcome to apply for AEO status. HMRC would encourage businesses to consider carefully the suitability of schemes such as AEO now, as part of their planning, but it is up to individual businesses to decide what plans they wish to put in place and whether applying for AEO status forms part of their plans.

HMRC is aware of the potential for increased applications because of the UK leaving the EU, and is building this into resource planning. HMRC are also actively looking at ways to improve the AEO application processes, including improvements to the application forms and explanatory notes to help reduce application errors. HMRC are working closely with stakeholders to take into consideration their views and experience of applying in the UK and in other Member States.

HMRC are also looking to streamline and improve access to the wide range of other authorisations that may be more appropriate for some businesses.

## Conclusion and recommendation 10

Updated IT systems will be fundamental to the effectiveness of any new customs arrangements. By far the most important of these is the HMRC Customs Declaration Service (CDS) which is due to be in place by January 2019, to replace the existing CHIEF system. It is deeply worrying that any slight slippage in the CDS programme risks it not being available by the time the UK leaves the EU at the end of March 2019. The Chief Executive of HMRC has acknowledged that it would be “catastrophic” if the new system is not operational on Brexit day. We endorse the NAO’s recommendations on the actions the Government needs to take to ensure this scenario is avoided. We expect the Government to prioritise contingency planning for the eventuality that the CDS system is delayed or lacks full functionality. We also look forward to the further recommendations which our colleagues on the Public Accounts Committee plan to make on this issue, following their recent hearing with HMRC officials. (Paragraph 76)

The Government remains on target to deliver CDS by January 2019. We are actively managing delivery plans in partnership with stakeholders, including industry representatives.

HMRC has developed its contingency plans significantly since the NAO review occurred. The major elements of its contingency plan are:

- A carefully managed transition process between August 2018 and January 2019 where HMRC can flex the pace of transition to reflect service performance.
- Dual running of CHIEF with CDS for some months to ensure that HMRC can revert to CHIEF if CDS does not perform as expected.
- To prepare for that, HMRC has already extended the CHIEF contract with Fujitsu to March 2020 with an option to extend it further to March 2021.
- Scaling of CHIEF to handle the volumes of declarations that HMRC expects after the UK leaves the EU to ensure that it remains a viable contingency solution beyond March 2019 if required.
- HMRC has also established a Contingency Programme, which is exploring further elements of contingency; additional activities will be added to HMRC’s plans as required.

## Conclusion and recommendation 11

The Home Office is not the lead department for customs but Border Force staff provide an essential function in carrying out checks of vehicles and goods at border entry points. The NAO has raised concerns that Border Force may struggle to cope with the combined demands of a greatly increased number of checks being required for both people and goods entering the UK after Brexit. These risks include fewer seizures of illicit and illegal goods at the border. The Government needs to provide reassurance that there will be a sufficient number of Border Force officials in place and that they will be properly trained in any new customs processes required for the transition period or the UK’s future partnership with the EU. Border Force may well require

**more locations to hold goods or conduct searches and assessments, yet the Home Office could not provide specific details about any post-Brexit planning that is under way. We request that these details are set out in response to this Report.** (Paragraph 85)

Departments are working on plans to recruit extra staff if necessary. Any increase in demand on Home Office resource and staffing requirements linked to future customs arrangements will be captured in the work a number of government departments are undertaking to develop our future approach at the border.

The Home Office is already recruiting additional staff to help with the preparations for leaving the EU. This resource will be dedicated to undertaking work to prepare for any changes brought about by EU exit and will allow training to be delivered to the existing border workforce in preparation for future arrangements and ahead of our departure from the EU. Recruitment of this cohort has already commenced and it is expected that they will be trained and ready for deployment by autumn 2018.

Decisions will be taken early in 2018 on whether a further scaling of resources will be required in readiness for day one and to deliver against future arrangements.

## Conclusion and recommendation 12

**Urgent coordinated staff planning is required between HMRC and Border Force. HMRC has stated that it will need up to 5,000 additional staff in place by March 2019 as a consequence of Brexit. The Home Office has stated that an extra 300 border staff will be in place by March 2019, a 4% increase. We find these plans for such a small increase in border staff completely unconvincing, particularly given the current uncertainty and the need for contingency planning. If new customs arrangements require a substantial increase in customs capacity which cannot be delivered in time, then there is a significant risk that Border Force staff will be diverted from crucial security functions, including preventing smuggling, the seizing of dangerous goods and immigration processes. The Home Office needs to plan for a significant further increase in border staffing and to ensure that arrangements are in place to prevent large numbers of staff being diverted away from other critical areas. The Government must not allow failures in operational planning, HMRC recruitment, or the implementation of new customs arrangements to jeopardise UK border security. We will return to consider further the relationship between the immigration and customs functions which Border Force and HMRC staff carry out, and whether any changes need to be made.** (Paragraph 86)

The Home Office and HMRC are working on planning together through a number of avenues, including through the Border Planning Group. This is a cross-Whitehall senior officials group (chaired jointly by Jon Thompson HMRC CEO and Permanent Secretary) and Patsy Wilkinson (Home Office Second Permanent Secretary). The Group provides strategic oversight and assurance of HMG plans to manage the impact at the border of UK withdrawal from the EU. It ensures that individual Departments' border-related projects and programmes are coordinated and optimised for maximum immediate (and, where appropriate, longer term) benefit; and are deliverable. Departmental planning for the border related impacts of EU will deliver three key objectives for the border, maintaining security, facilitating the flow of goods and people which facilitates UK trade and prosperity and revenue protection.

As set out in the response to recommendation 11 the Home Office is ensuring flexibility in its recruitment plans to allow it to adapt its approach as future requirements become clearer, and will continue to monitor workflows and ensure sufficient resources are in place at the border to meet demands as the UK leaves the EU. The Government is committed to ensuring that our operational teams have the resources they need to run efficient and effective border systems and to keep the UK safe.

The Government's priorities at the border are to deter and prevent individuals and goods that would harm the national interests from entering the UK and to facilitate the legitimate movement of individuals and trade to and from the UK. There is no suggestion that any changes to UK border operations necessitated by EU exit will jeopardise border security and the government is committed to ensuring trade is as frictionless as possible.

We have no reason to believe there will be an increased number of persons entering the UK as a result of exiting the EU. Currently all passengers arriving on scheduled services in the UK are checked against police, security and immigration watch lists on arrival at the border. The majority of these are checked against our systems before they even travel, through the collection of advanced passenger information (API).

On the movement of goods, Border Force officials already make decisions on whether to permit EU traffic to enter the UK and seize illicit and illegal goods at the border through a number of checks using skilled people, technology, intelligence and targeting. This range of capabilities means the relationship between resources and checks at the border is not linear.

### Conclusion and recommendation 13

**We were not satisfied with the answers we received to a vitally important question about planning for post-Brexit customs arrangements: who is in charge? The Government's approach seems to us to lack focus, urgency and above all leadership. Any progress seems to rely on working groups of government officials, with no meaningful ministerial leadership. This is particularly worrying given that the costs involved would appear to be significantly higher than the existing Brexit contingency funding requested by the Home Office and even higher than the total envisaged by the Prime Minister for the whole Government. Moreover, the fact that multiple government departments and agencies are involved in delivering customs means that a fully joined-up approach from the Government is urgently needed, as well as proper coordination with the private sector. The impetus to achieve this is only likely to come from a named senior Government Minister taking responsibility, who can then provide regular reports to Parliament on the Government's plans. In addition to the ongoing cooperation between the Treasury, the Home Office and other departments with a direct interest, we recommend that a Minister of State should be named as the lead Government Minister responsible for delivery of post-Brexit customs arrangements. (Paragraph 89)**

Individual departments with policy or operational responsibilities for border related activities are responsible for delivery of plans and departmental ministers make the decisions.

It therefore makes sense that responsibility for post-EU Exit customs arrangements is shared across government departments, including HMRC who owns customs policy,

HMT who sets fiscal targets and the Home Office who deliver customs functions and processes to implement policies and meet targets, as part of a wide range of objectives, at the border.

Cross government preparations for EU exit at the border are being coordinated by the Border Planning Group. The Group was set up in March 2017, has representatives from 21 departments and agencies, and reports to HMT and Home Office ministers as well as HMRC's Permanent Secretary.

The Group's remit is to provide strategic oversight of border preparations, to identify where there is potential for additional benefits and joining-up of processing capability at the border across Government. It covers all border controls and all modes of transport, management of goods and people.

Planning work aims to ensure three key objectives for the border are delivered for Day 1 and beyond: Maintaining security, facilitating the flow of goods and people and revenue protection.