

Funding the Future

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The Public Accounts Committee of the House of Commons has just (9am) published a [consensus, all party, report](#) suggesting that it would be catastrophic if a viable Customs system was not in place at the time of Brexit. It added:

The Government must address risks and ensure contingency option in place well before January 2019

The report's summary says:

Under current plans, the UK is set to leave the European single market and the customs union in March 2019. It would be catastrophic if HM Revenue & Customs' new customs system, the Customs Declaration Service, is not ready in time and if there is no viable fall-back option.

In 2015, around 55 million customs declarations were made by 141,000 traders. The UK's exit from the EU could see the number of customs declarations which HMRC must process each year increase five-fold to 255 million. A failed customs system could therefore lead to huge disruption for businesses, with delays potentially causing massive queues at Dover and resulting in food being left to rot in trucks at the border.

This is a programme of national importance that could have a huge reputational impact for the UK if it is not delivered successfully.

The uncertainty regarding the outcome of UK-EU negotiations is a complicating factor but it should not be used by HMRC to avoid taking action now in areas including: scaling up the CDS service to handle 255 million declarations; ensuring a viable contingency option is in place well before January 2019; and communicating with traders.

There are financial as well as operational implications of not acting now. This is a tight timetable at the best of times. With the hard deadline of Brexit, delay is not an option.

The Treasury needs to ensure there is funding in place to develop contingency options so that there are no barriers to continuity of service. HMRC also needs to do a lot more to work with the many businesses affected.

Much remains to be done to have an effective Customs Declaration Service in place, on time, and that traders know how to use.

We intend to keep a close eye on this programme and expect to review progress early in the Summer of 2018, following a further review by the NAO.

As Meg Hillier, who chairs the committee noted:

Failure to have a viable customs system in place before the UK's planned exit from the EU would wreak havoc for UK business, trade and our international reputation. Confidence would collapse amid the potentially catastrophic effects.

HMRC is under considerable pressure to deliver the new Customs Declaration Service in time, but it does not yet have funding to increase the capacity of CDS to deal with the consequences of Brexit — nor to develop contingency options.

This is deeply worrying. HMRC requires a relatively small sum to upgrade the current CHIEF system — a move which would provide some peace of mind to traders, many of whom are still operating with limited information and in great uncertainty.

HMRC tells us it is merely 'in conversation' over CHIEF upgrade costs when, on behalf of business and the British public, it should be banging on the doors of the Treasury.

HMRC must press the case to secure this funding now and ensure that, if other plans fail, customs will be fit for purpose.

So let's be clear what is going on here. The government is driving us, inexorably, towards a cliff edge and is at the same time refusing to plan for that fact, and the costs involved, with the inevitable consequence that economic mayhem will follow.

There is no point pretending, **as some do, that this is any indication of competence: it is not.**

And there is equally no point pretending that this is not happening: the PAC has a history of telling things how they actually are. Of all parliamentary committees this one has a proud record in this regard.

So there is a crisis coming, and it's in IT systems, where HMRC has an appalling track record.

But it's more than that. It's also about recruiting and training all those who will have to make those, now nigh on inevitable, declarations, because right now the skills do not exist in the private sector. And it is also about recruiting those who will appraise them in HMRC, which will be no small task. It's hard to see how that is going to happen now. And yet what this report says is that the thinking required to even start the process has not yet been undertaken.

I have understated my case on the risks that we face. The existential and political risk may be gargantuan. But I am out of words to describe the mayhem that may hit the economy.

My advice is simple: if you have the room and the budget start stockpiling tins from late next year. I will be. It's always food supplies that are the literal weak under belly of a nation, and ours will be at risk. A bit of panic buying in response to that and who knows what will be happening by April Fool's Day 2019.