National Audit Office

A Short Guide to the

Department for International Trade

October 2017

About this guide and contacts

This Short Guide summarises what the Department for International Trade (DIT) does, how much it costs, recent and planned changes and what to look out for across its main business areas and services. It also covers UK Export Finance (UKEF), a separate ministerial department.

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £734 million in 2016.

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Overview

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Key facts about the Department for International Trade and UK Export Finance in 2016-17

July 2016
The month DIT was created, in response to the UK's decision to exit the European Union (EU).

108
The number of overseas countries in which DIT staff are located.

3,200
Number of staff employed by DIT in July 2017, one year after its creation.

11
The number of bilateral working groups established since DIT was created, to develop and strengthen trading relationships with non-EU countries.

£1 trillion
The government's target for the total annual value of UK exports, by 2020. This target was not in the Conservative Party's 2017 election manifesto, and its future status is uncertain.

2.6 million
Unique visitors to new digital platform great.gov.uk since its launch in November 2016.

£351 million
DIT's expenditure in 2016-17, including capital expenditure.

£37 billion
The UK's trade deficit for 2016, up from £30 billion in 2015.

63
Countries UK businesses exported to in 2016-17 with UKEF assistance.

About the Department for International Trade

In July 2016, as an immediate response to the EU referendum, the government set up the Department for International Trade.

DIT is an international economic department designed to secure **UK and global prosperity by promoting and financing international trade and investment, and championing free trade**. In particular, it is responsible for:

- bringing together policy, promotion and financial expertise to break down barriers to trade and investment, and help businesses succeed;
- delivering a new trade policy framework for the UK as we leave the EU;
- promoting British trade and investment across the world; and
- building the global appetite for British goods and services.

DIT was created as a response to the EU referendum and is **contributing its trade policy expertise** to the Department for Exiting the European Union's (DExEU) preparations for the negotiations for the UK's exit from the EU.

DIT is currently **planning the necessary legislation required for the UK to operate its trade policy when it leaves the EU**. In the Queen's Speech on 21 June 2017, the government announced its intention to introduce a **specific trade bill**.

DIT will not be able to formally negotiate or conclude new trade deals while the UK is still a member of the EU.

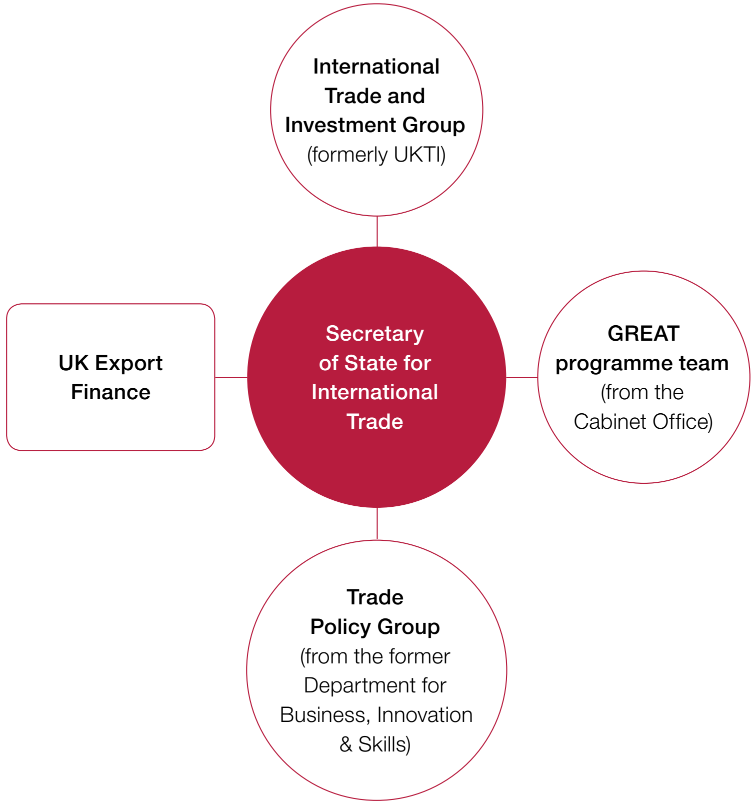
UK Export Finance (UKEF)

UK Export Finance is a separate department that has existed since 1919. It receives its own budget from Parliament, produces its own annual report and accounts and has its own Accounting Officer.

However, UKEF reports directly to the Secretary of State for International Trade and has the same ministerial team as DIT. UKEF's Accounting Officer also holds one of DIT's three director general posts.

We cover UKEF, including its activities and responsibilities, from page 24 onwards.

Four business areas, created from existing organisations, report to the Secretary of State for International Trade.



Key trends in the Department's performance

2016-17 has been a **transitional year for DIT**, where it has measured performance using metrics agreed in a legacy framework designed before the EU referendum.

The **yet to be published Single Departmental Plan** for DIT should bring together new targets and key performance indicators to best reflect the objectives of the new Department.

The figures on the next page show the results that DIT has reported achieving against its key performance indicators for trade development and inward investment promotion for 2016-17. **They are its own performance measures** and are not externally validated, but are measured by responses filled in by companies through an online report. **Only one, 'inward investment successes', allows for comparison** with former bodies and agencies which were absorbed by DIT. None of them relate to the £1 trillion export target.

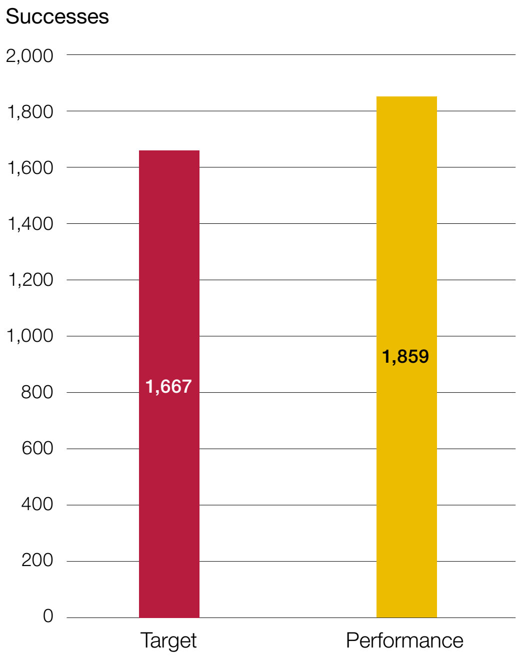
Additional information from which the performance of DIT could be compared with the bodies it was created from is scarce. However, the inward investment results for 2016-17 show:

- there was a **2% increase to 2,265 foreign investment projects** in the UK compared with 2015-16, of which DIT was involved in 1,859 – a 7% rise from 1,731 compared with 2015-16; and
- **the number of new jobs in the UK created from foreign investment fell** from 82,650 to 75,226 since the previous year, a reduction of 9%.

Key trends in the Department's performance *continued*

An inward investment success is when DIT or one of its regional and local partners has provided significant assistance to an investment project in the UK. UKTI has reported on this metric in the past – in 2015-16, UKTI and its partners helped deliver 1,731 inward investment projects. DIT helped deliver 1,859 in 2016-17, **an increase of 7% compared with UKTI in 2015-16**.

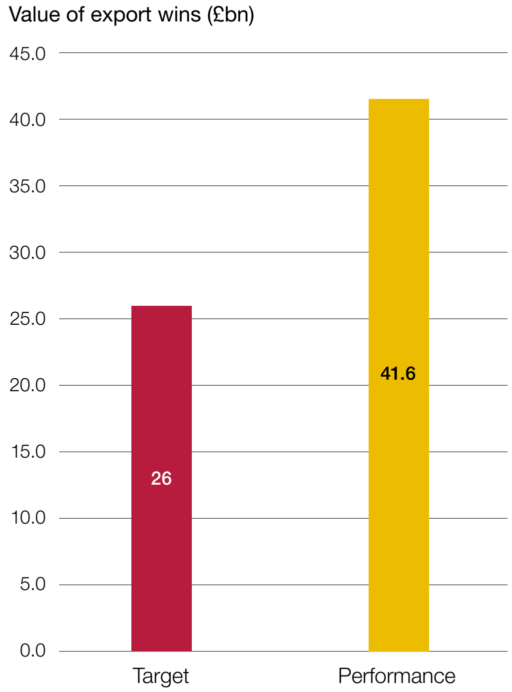
Number of inward investment successes against target 2016-17



Source: Department for International Trade annual report and accounts 2016 to 2017

'Export wins' is a new measure DIT will develop further in 2017-18. It captures expected export value over five years, rather than actual value. The metric includes those businesses DIT has assisted to reach a deal, not those who did not reach a deal. A win is verified by businesses through an online process.

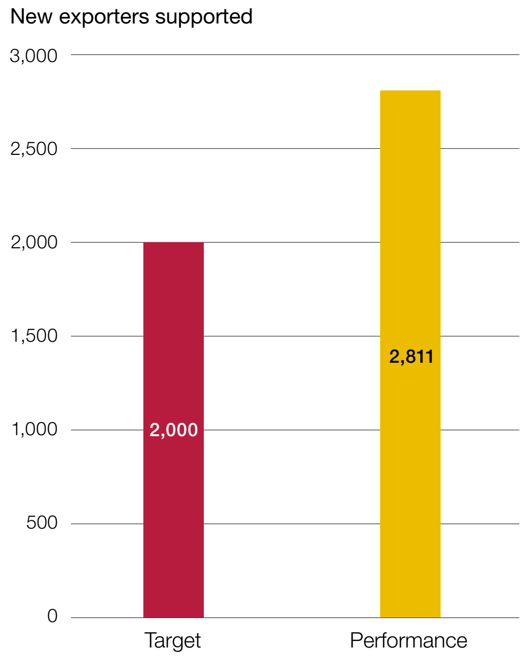
Value of DIT customers' export wins 2016-17



Source: Department for International Trade annual report and accounts 2016 to 2017

A new exporter is defined as a business DIT supported that had not exported in the previous 12 months. UKEF previously reported on a similar metric: in 2015-16 UKEF supported 279 exporters. It is unknown how many exporters the three directorates that have joined together as DIT supported before.

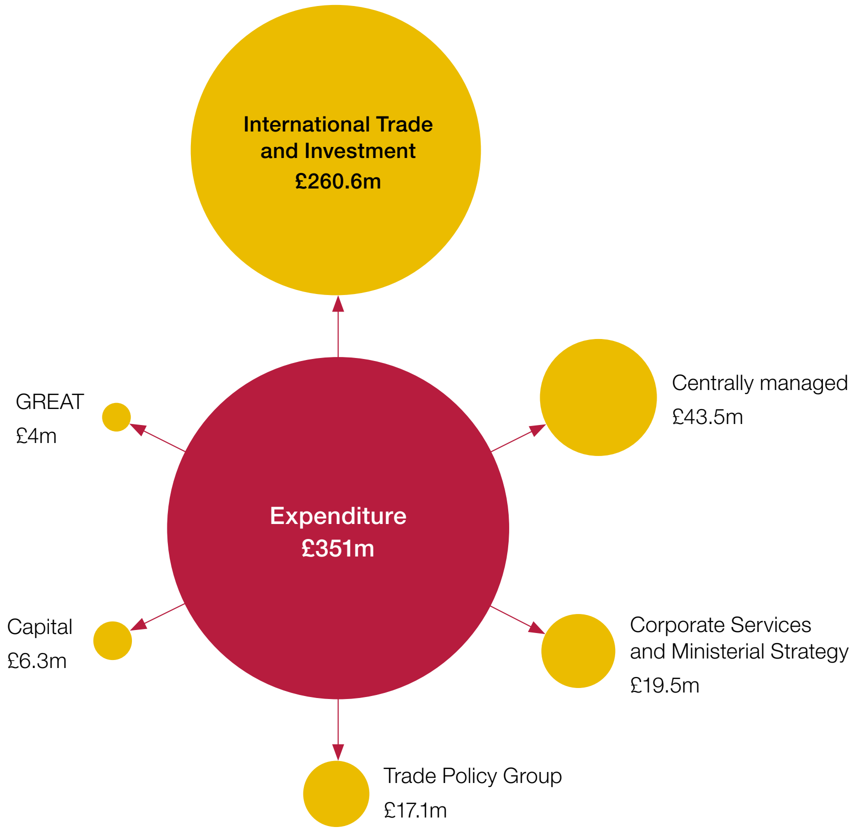
New exporters supported to achieve export wins against target 2016-17



Source: Department for International Trade annual report and accounts 2016 to 2017

Where the Department spends its money

DIT spent £351 million in 2016-17, including capital expenditure



Notes

1 DIT generated £4.2 million of income from events, sponsorship and payments from businesses it has helped to export, which has been excluded from the expenditure chart.

2 UK Export Finance's expenditure and balance sheet has been excluded. It is covered separately on page 26.

Source: Department for International Trade annual report and accounts 2016 to 2017

Trends in the Department's expenditure

DIT had net expenditure of £351 million against its £364.2 million budget in 2016-17.

The main reasons for this underspend were:

- vacancies across its overseas network in the International Trade and Investment Group; and
- delays in the recruitment plans for the Trade Policy Group and DIT Corporate Services.

The net expenditure includes £4.2 million of income, consisting of fees and charges for events, sponsorship and the Overseas Market Introduction Service, which assists exporters entering new markets.

As part of its net expenditure, **DIT spent £6.3 million on capital projects against a £9.8 million budget**, mainly on development and IT assets. The £3.5 million underspend related to delays on some digital and estates investments.

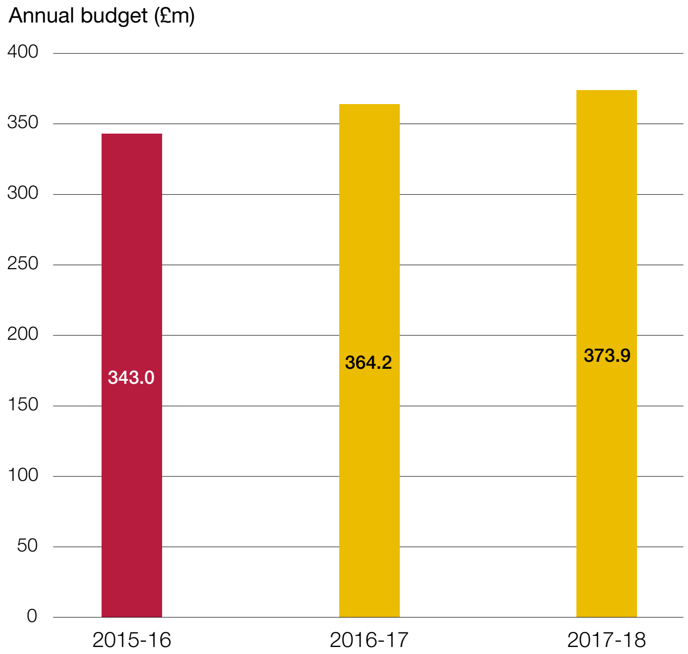
2017-18:

DIT's budget for 2017-18 has been set at £373.9 million, a 2.7% increase from 2016-17 when DIT received a budget of £364.2 million.

The reason for the increase is the **government's commitment to spend an additional £28 million a year by 2019-20 between the FCO and DIT on strengthening trade policy capability** in light of the post-Brexit landscape.

As the graph indicates, **the formation of DIT in July 2016 resulted in a budget increase of 6.2% in 2016-17** compared with UK Trade and Investment's budget in 2015-16.

Department for International Trade annual budget



Note

1 DIT's budget is compared with UK Trade and Investment's budget in 2015-16 as DIT was not established until 13 July 2016. Expenditure on the GREAT campaign and trade policy, now covered by DIT, would also have existed previously within the Cabinet Office and Department for Business, Innovation & Skills' budgets.

Source: Department for International Trade annual report and accounts 2016 to 2017

Key trends in the UK's post-referendum trade position

What are the trends in UK trade?

Since 2010, exports have grown by more than 23%; imports have grown just over 20%.

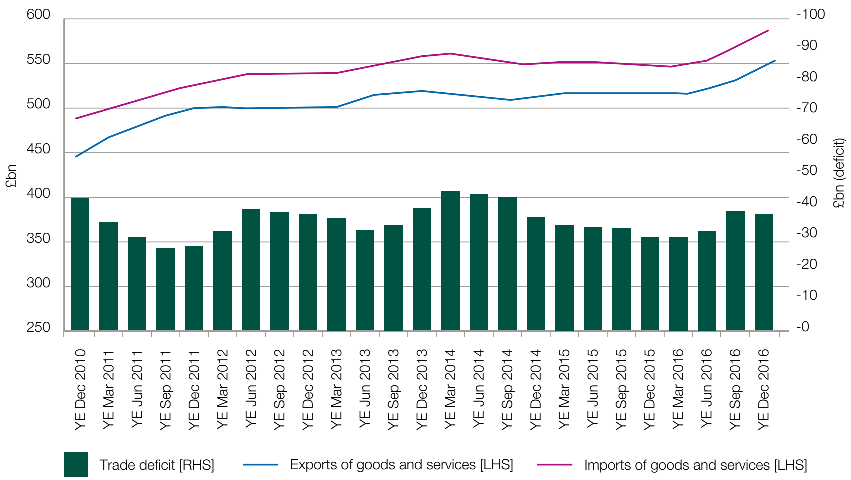
Data from the Office for National Statistics indicates that the UK has run a trade deficit in each quarter since comparable records began in 1998. Since then, the trade deficit has **fluctuated between £7.9 billion (1998) and £46 billion (2008)** annually.

UK's trade position in 2016 (compared with 2015):

- **UK exports of goods and services grew by 5.8%**, to £547.6 billion.
- Specifically:
  - **exports to the 'Non-EU' rose to £307 billion, up 6.8%**; and
  - **exports to the EU increased to £240.6 billion, a rise of 4.6%.**
- **Growth in UK exports of goods and services to the two largest non-EU countries was 7.5% for the USA and 3% for China.**
- In 2016, **total imports were £584.6 billion**. Therefore, **the trade deficit was £37 billion** (1.9% of gross domestic product (GDP)), down from £42.6 billion (2.7% of GDP) in 2010 but up from £29.8 billion (1.6% of GDP) in 2015.

Zoom Out | Zoom In +

Rolling annual data: UK imports and exports (£bn)



Source: UKEF Export Finance Annual Report and Accounts 2016-17

In 2010, the **government set a target to increase the total value of UK exports to £1 trillion a year by 2020**, and increase the number of new exporters by 100,000.

In 2016, the Office for Budget Responsibility forecast that **the UK is set to miss the £1 trillion target by £357 billion.**

The Secretary of State for International Trade told the International Trade Committee in February 2017 that **the target remains in place** but that it is **unlikely to be achievable by 2020**.

The £1 trillion target was not included in the Conservative Party's 2017 election manifesto, and its future status is uncertain.

Accountability to Parliament

1 A clear expression of spending commitments and objectives

DIT's annual report 2016-17 sets out four key objectives (a Single Departmental Plan does not yet exist[1]):

1. Promote and provide support to UK exports, to grow an economy that works for everyone.
2. Maximise opportunities for wealth creation through supporting Foreign Direct Investment and Outward Direct Investment.
3. Deliver the best international trading framework for the whole of the UK to maximise global trade and investment opportunities.
4. Build the global appetite for British goods and services and encourage more people to visit, study, invest in and do business with the UK through the GREAT Britain campaign.

2 A mechanism or forum to hold to account

DIT is accountable to Parliament primarily through the Committee of Public Accounts and the International Trade Committee.

Every main central government department must publish an Accounting Officer System Statement (AOSS), setting out all its accountability relationships and processes. This is part of the Accounting Officer's personal responsibility for the use of taxpayers' money, and published following the annual report.

3 Clear roles and someone to hold to account

The Secretary of State for International Trade, the Rt Hon Liam Fox MP, is in overall charge of all policies and sectors, both directly and through his ministerial team. According to DIT's Annual Report 2016-17, he will personally lead on the defence and security sector and will be involved in the most significant global deals across all sectors.

Antonia Romeo is the Permanent Secretary and Accounting Officer of DIT, directly accountable to Parliament for spending and management. **Crawford Falconer is the newly appointed Second Permanent Secretary and Chief Negotiation Adviser**, responsible for advising the government on reaching trade deals outside the European Union and acting as head of profession for trade negotiators.

4 Robust performance and cost data

DIT publishes an annual report and accounts and inward investment results for the year. UK Export Finance also publishes an annual report and transparency data **on the number of businesses supported for the year.**

These help Parliament to monitor progress towards some of the department's key objectives.

1 Single Departmental Plans describe the government's objectives for the 2015–2020 Parliament and how departments are fulfilling their commitments. Government has not published any since the EU referendum, but DIT is expected to publish one when government does. The plan will provide performance measures and spending information under each high-level objective for DIT.

Trade Policy Group

Trade Policy Group:
EU Exit process

Recent and planned
developments

What are the things
to look out for?

Trade Policy Group: EU Exit process

On 2 February 2017, the government published its white paper setting out the 12 priorities underpinning its approach to the Exit process.

One of the 12 priorities concerns securing new trade agreements with other countries. DIT's Trade Policy Group has lead responsibility for this.

The Trade Policy Group (TPG) was formed from the Trade Policy team within the former Department for Business, Innovation & Skills.

It is a relatively small part of the Department in terms of expenditure, responsible for £17.1 million of the Department's £351 million total expenditure, but has a key role in negotiating the UK's future relationship with the EU and delivering future trade agreements with other countries.

The TPG is responsible for establishing the best trading framework for the UK to maximise trade and investment. It is working to prepare the necessary legislation for the UK to operate its trade policy when it leaves the European Union.

It is responsible for exploring opportunities for post-Brexit trade agreements and has established a series of working groups. Eleven trade policy working groups have been announced with the Cooperation Council for the Arab States of the Gulf (which consists of: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Australia, China, India, Israel, Mexico, New Zealand, Norway, South Korea, Turkey and the USA.

Where there are existing trade agreements between the EU and third countries, TPG is exploring how these can be changed to bilateral arrangements with the UK.

The TPG also includes the Export Control Organisation, which issues licences for strategic goods, such as military equipment and other restricted exports.

DIT's Trade Policy Group priorities

Establish the UK as an independent member of the World Trade Organization.

Establish the UK's trade remedies and disputes framework.

Develop the UK's Export Control Framework and operations.

Maintain and strengthen relationships with other countries, including preparation of new free trade agreements.

Support poverty reduction in developing countries, including an aim to ensure continued preferential arrangements.

Support the government's work on negotiating a new relationship with the EU.

Recent and planned developments

Recent developments

1 2016-17 saw the quadrupling of the number of staff working in the Trade Policy Group. DIT also **established 11 working groups** with countries that the UK would look to form a post-Brexit trading relationship with.

2 DIT and the FCO **established the Trade Policy and Negotiations Faculty** to deliver training across government.

3 In order to promote global security through strategic export controls and facilitate responsible exports, **the Export Control Joint Unit (ECJU) began operations in July 2016**, bringing together operational and policy expertise from the Department for International Trade's Export Control Organisation (ECO), the FCO and the Ministry of Defence (MoD).

Planned developments

The Queen's Speech on 21 June 2017 set out two key bills regarding trade:

- **Customs Bill:** As EU Customs Codes currently apply to the UK, this bill will seek to establish a standalone UK customs regime that allows future trade arrangements with the EU and other countries.
- **Trade Bill:** This bill will put in place *"the essential and necessary legislative framework to allow the UK to operate its own independent trade policy upon exit from the European Union"*.

In a speech on 20 July 2017, International Trade Secretary, Dr Liam Fox, said: **"For the United Kingdom, the future of global trade will be shaped by the digital economy, by the promotion of trade as the main tool of development, and by unlocking the vast potential of the trade in services."**

What are the things to look out for?

Capability and capacity

- DIT recognises in its 2016-17 annual report that one of the challenges it faces in delivering a smooth transition on trade as the UK exits the EU and puts in place a new independent trade policy framework for the UK is building up and developing its staff.
- Thus far, it has invested in and quadrupled the size of its Trade Policy Group and in June it appointed its Chief Negotiation Adviser at the level of Second Permanent Secretary. It has also introduced 'Our People Plan' – an initiative focused on ensuring that DIT is "an outstanding place to work".

International Trade and Investment Group

International Trade and Investment Group

Recent and planned developments

What are the things to look out for?

International Trade and Investment Group

What is the International Trade and Investment Group?

The International Trade and Investment (ITI) Group is the most substantial element of the three DIT business areas which make up the Department's expenditure, spending £260.6 million of its £351 million total. Before the foundation of the Department for International Trade, ITI was known as UK Trade and Investment (UKTI), a non-ministerial government department.

It supports UK businesses to export, promotes UK goods and services overseas and encourages investment into the UK. Its staff are located in 174 embassies, high commissions and consulates in 108 countries across the world. This allows it to work closely with the Foreign & Commonwealth Office (FCO) to assist British businesses.

In 2016-17, UK businesses told the Department that it had assisted them to achieve total exports totalling £41.6 billion.

The ITI Group accounts for 74% of DIT's expenditure

ITI has a regional network of international trade specialists in the UK that helps businesses obtain the skills and contacts they need to export abroad. This UK network works with the overseas teams to ensure that businesses are given the best advice about their chosen export destination.

ITI also hosts events and trade fairs around the world to allow UK businesses to showcase their products and to drive investment. It also supports British businesses at major international trade events, such as World Expos and the Olympic Games. In addition, DIT provides grants to allow UK businesses to attend trade shows overseas through the Tradeshow Access Programme.

The staff based overseas source export leads and opportunities for British exporters, which are then advertised to exporters on an online portal.

The Defence & Security Organisation (DSO) assists the UK security industry by building relationships with overseas governments and raising awareness of the capability of the UK industry. During 2016-17, DSO delivered a global programme of 28 overseas defence and security exhibitions during the financial year and hosted 60 delegations from 35 countries at the Farnborough International Airshow during July 2016.

Recent and planned developments

ITI introduced a number of **new initiatives in 2016-17 to boost exports** including the launch of the new 'Selling Online Overseas' tool. This tool enables UK businesses to set themselves up on e-marketplaces and identify important new markets.

Global Growth Pilot: ITI are about to launch the Global Growth Pilot, through which it will be seeking to specifically target ambitious businesses in the £5 million – £40 million turnover bracket to identify their barriers to export and provide support to overcome them through a co-investment model. It is hoped that the return on investment will be significantly greater than the current model. This will be tested over the next 12 months.

Great.gov.uk: ITI recently launched great.gov.uk, which is a world-leading platform developed by DIT to help UK businesses secure their place on the global stage by championing British goods and services overseas.

The platform is home to domestic and overseas-facing tools, including Export Opportunities, Selling Online Overseas, Find A Buyer / Find A Supplier and Invest in Great Britain.

Between 14 November 2016 and 31 July 2017 **great.gov.uk received 2.6 million unique visitors**. The service has promoted more than 7,600 export opportunities overseas, which have received more than 48,000 applications from UK businesses. Around 3,900 UK businesses have registered on the Find A Buyer tool, while more than 540 overseas buyers have registered for alerts on Find A Supplier. The Invest in Great Britain tool has received 505 investment enquiries.

In April 2017 DIT signed a government-to-government agreement with Peru to support delivery of the Pan American Games, hosted by Lima in 2019. The agreement seeks to build on the legacy of London 2012 using UK expertise to support Lima to deliver the Games.

DIT will be engaging with 100+ contractors to support the organising committee, using the arrangement to target UK export wins across a range of infrastructure and operational services that Lima will be procuring.

DIT expects the accessible value to be in excess of £400 million. The agreement is also expected to act as a pilot for future government-to-government agreements globally.

What are the things to look out for?

Improving export performance

- The NAO's 2013 report Supporting UK exporters overseas concluded that the government's objective for export-led growth was ambitious and relied on UKTI and the Foreign & Commonwealth Office making a substantial joint effort if it was to be achieved. This would require them to make their current activities to support exports much more closely coordinated, and supported by tough, measurable milestones.
- UKTI's Annual Report 2015-16 flagged that the need to improve export performance was one of the two key risks that could affect its ability to deliver the government's 2020 export targets of 100,000 additional exporters and £1 trillion in export value. It worried that many factors affecting the achievement of these targets, such as changes in oil prices and the subsequent consequences for the global economy, were beyond its control.
- In its 2016-17 Annual Report, DIT has made no reference to these targets.
- The £1 trillion target was not in the Conservative Party's 2017 election manifesto, and its future status is uncertain.

Contracting and procurement

- The NAO's 2016 Investigation into the UKTI specialist services contract with PA Consulting found that UKTI had fallen below the standards expected in managing public money. It raised questions over whether UKTI had followed procurement regulations, whether it had a full understanding of how the contract was priced and therefore whether it was likely to deliver value for money.
- ITI, the new incarnation of UKTI, needs to ensure it has the right governance in place and follows the principles of good procurement practice, including: having an agreed-upon commercial strategy; having a decision-making team with good understanding of the bid and requirements; and maintaining the minimum documentation necessary to support a procurement.

The GREAT Britain campaign

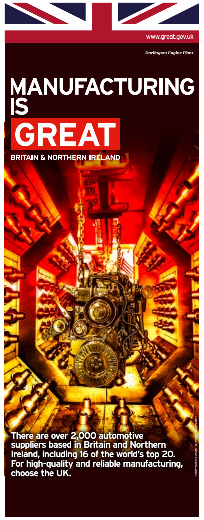
How is
it delivered?

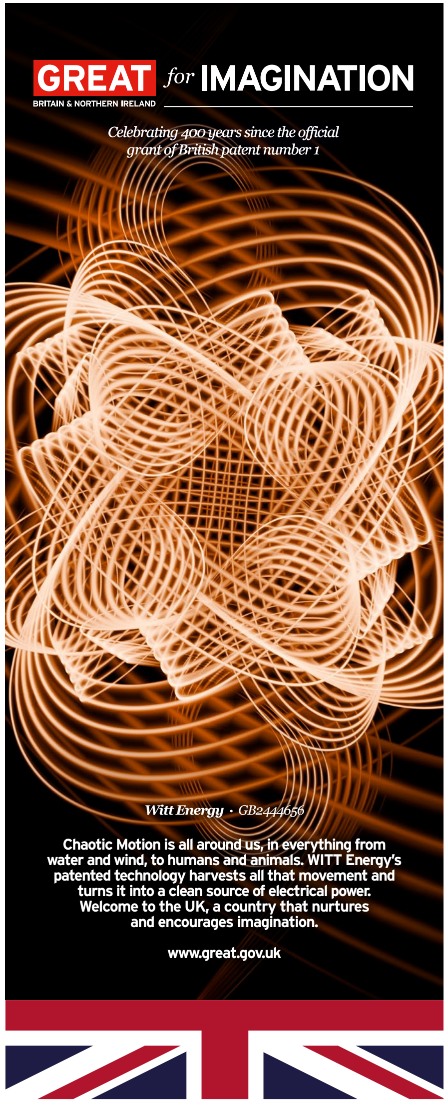
Recent and planned
developments

What are the things
to look out for?

How is it delivered?

- The 'GREAT Britain' campaign is the government's **flagship marketing and branding platform** for the UK both internationally and, increasingly, domestically.
- Operating in the international markets of trade, investment, tourism and education, GREAT is intended **to maximise immediate and long-term economic returns** for the UK by building positive profile, reputation and soft power influence across multiple marketing channels. Launched in 2012, GREAT is **currently active in 144 countries worldwide and used by 252 DIT/FCO Posts globally**, providing HM Government's international network with a consistent communications brand.
- Based in DIT, the GREAT central team **manages and coordinates the cross-government delivery of the campaign globally** to ensure that promotion of the UK is carried out strategically and consistently with all internationally facing government departments including DIT ITI; the Foreign & Commonwealth Office; VisitBritain; the Department for Environment, Food & Rural Affairs; the Department for Digital, Culture, Media & Sport, and the British Council. Currently 21 departments and arm's-length bodies are using the GREAT brand. In addition, hundreds of British private sector and cultural organisations support GREAT's international marketing activities.





Recent and planned developments

Promoting the UK abroad

In 2016, **GREAT supported more than 1,340 economic growth events and activities in more than 200 locations worldwide.** For example, British start-ups were given the chance to meet more than 150 Chinese enterprises and industrial experts as part of the TechHUB initiative to promote UK innovation, technology and business partnerships.

In **January 2017**, DIT launched **two new targeted international campaigns under the GREAT brand:**

- **Target markets** for the **trade** campaign activity are the **United States, Germany, China and Japan**.
- **Target markets** for the **invest** campaign activity are the **United States, Germany and China**.

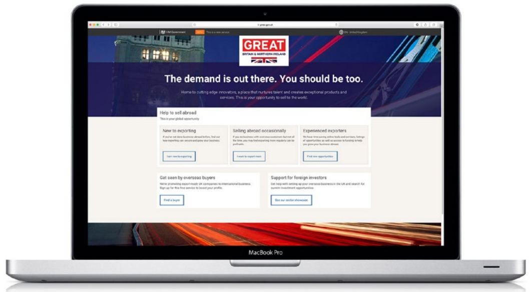
To align more closely with DIT's objectives, target markets have been replaced by five major campaigns that in 2017-18 are expected to generate incremental economic returns of £1.8 billion:

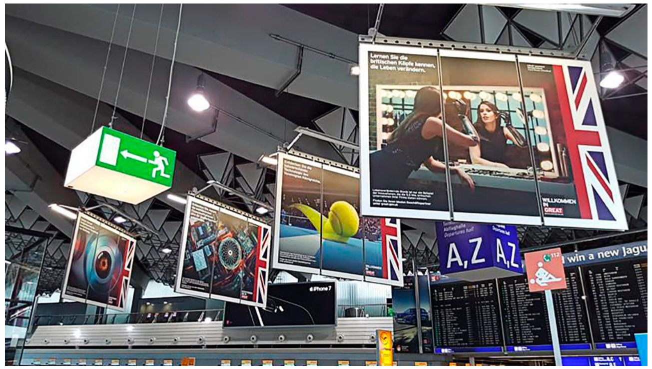
- **'Exporting is GREAT'**, delivered by DIT ITI, which encourages UK companies to trade internationally;
- **'International Trade Campaign'**, delivered by DIT ITI, which encourages foreign companies to buy from the UK, focusing on the US, Germany, China and Japan;
- **'Invest in GREAT Britain'**, delivered by DIT ITI, which encourages foreign companies to invest in the UK focusing on the US, Germany and China;
- **'#OMGB'**, delivered by VisitBritain, which targets increased numbers of international and domestic tourists; and
- **'Education is GREAT'**, delivered by the British Council, which encourages increased numbers of international students to study at UK institutions.

Launching a new digital platform

In November 2016, DIT ITI launched great.gov.uk, a new digital platform intended to act as a single destination for trade and investment services and to connect UK businesses with international buyers and investors.

DIT has reported that there have been 2.6 million unique visitors to the site since its launch, and more than 2,150 companies have signed up to the 'Find A Buyer' service, linking UK companies to export opportunities.





What are the things to look out for?

Maximising return on investment

The view of the GREAT campaign is that the strength of its brand (which has been **independently valued at £234 million** using ISO 10668 global standards) is reflected in the willingness of iconic British brands such as James Bond, British Airways and McLaren to become actively involved in the GREAT campaign.

Reflecting this, more than **£110 million of cash and value-in-kind** has been provided to the campaign by more than **300 private sector companies and more than 250 high-profile individuals** through joint funding, sponsored activity and active support.

In August 2017, DIT confirmed that the GREAT campaign has **generated incremental economic returns of £2.7 billion**, with a further £3.5 billion still being audited.

NAO report: Exploiting the UK Brand Overseas (June 2015)

In 2015, the NAO undertook a detailed review of the campaign to assess how the Cabinet Office managed GREAT, how partners delivered activities globally and how economic impact was generated through the campaign.

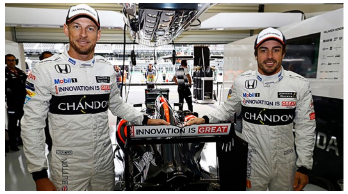
The NAO "commended" the campaign and found that GREAT had:

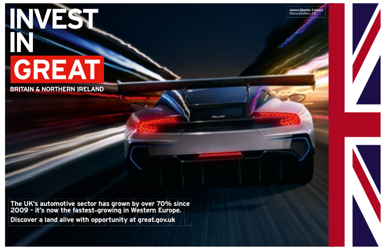
- **clear objectives and effective governance;**
- **created strong marketing and communications tools; and**
- **successfully attracted endorsement and sponsorship from the private sector.**

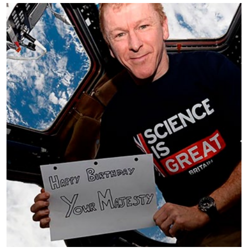
However, the Cabinet Office **did not adequately assess partners' capacity to spend funding and there was a lack of sustained, long-term approach to funding allocations**.

The Comptroller and Auditor General concluded that to optimise value for money the campaign **needed to allocate resources based on a clear analysis of which partners are likely to generate economic activity of proven benefit.**

The report made six recommendations to improve the campaign. DIT has stated that it has fully implemented all these recommendations.







UK Export Finance

What does it do?

UKEF's finances

Recent and planned developments

What does it do?

What is UK Export Finance?

UK Export Finance (UKEF), the operating name for the Export Credit Guarantees Department, is the UK's export credit agency. It aims to support British exporters by ensuring that no viable UK export fails because of inadequate insurance or finance from the private sector. The Export Credit Guarantees Department has existed since 1919.

When the Department for International Trade was created in July 2016, **UKEF became a key part of its strategy and reports directly to the Secretary of State for International Trade**, and UKEF staff are embedded in all DIT's high-value exporting campaigns.

However, **UKEF is a separate department for accounting purposes, with its own budget voted by Parliament**. Louis Taylor is the Accounting Officer and Chief Executive.

How does it operate?

UKEF helps businesses find private sector support or, where this is not available, provides direct support. Direct support takes the form of:

- **providing insurance to UK companies** against buyer default to ensure they receive payment for export contracts;
- offering **finance on attractive terms** to prospective buyers to help UK companies win export contracts; and
- **providing working capital loans** and other financing to ensure UK businesses can fulfil export contracts.

It works with around **70 commercial lenders** and credit insurers rather than competing against the private sector.

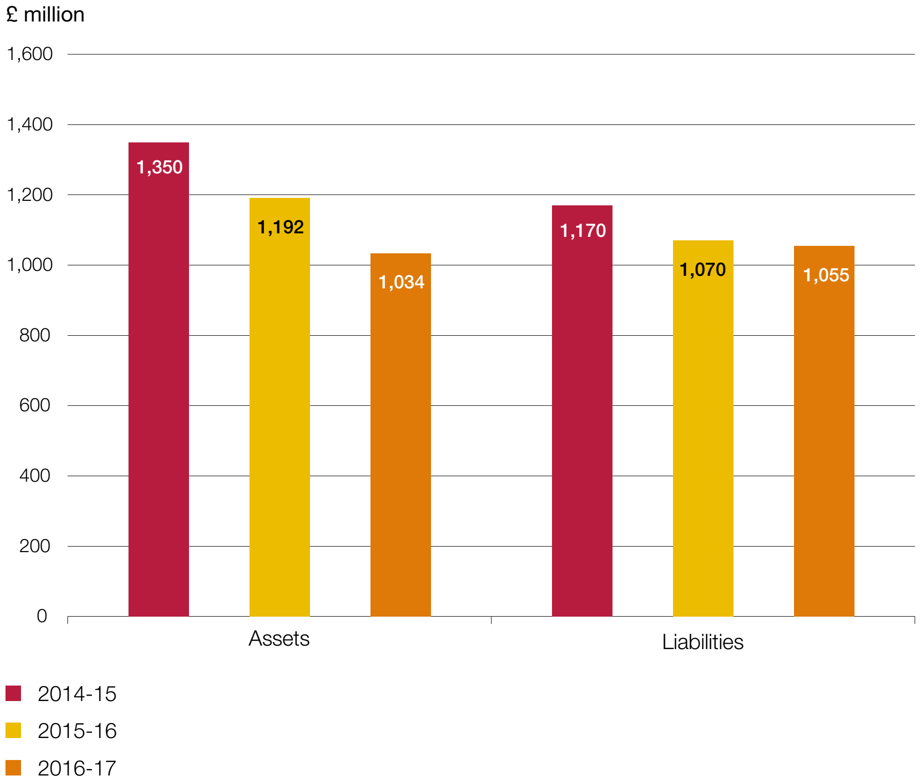
UKEF aims to operate at no net cost to the taxpayer. It sets prices at a level which generates sufficient income to cover losses and administration costs.

UKEF's finances

UK Export Finance had **total expenditure of £65.7 million in 2016-17**. This is made up of £16.5 million staff costs, £13.6 million administration and operating costs, and a £35.6 million change in value of insurance liabilities.

Its income was £215.2 million, made up mostly of income from insurance premiums, investment income and foreign exchange gains. However, as a department that provides loans and insurance, its expenditure and income is relatively small compared to the value of its assets and liabilities.

UKEF's total assets and liabilities



Notes

1 UKEF's assets in 2016-17 consist primarily of £861.0 million insurance contracts and other related assets, £335.6 million of loans and derivatives and £107.5 million cash.

2 UKEF's liabilities in 2016-17 consist primarily of £930.7 million insurance contract liabilities and £107.5 million owed to HM Treasury for the cash holding and returned to HM Treasury in the subsequent year.

Source: UK Export Finance Annual Report and Accounts 2016-17

Recent and planned developments

What support did UKEF provide to UK exporters in 2016-17?

UKEF issued guarantees, loans and finance with a value of £3.0 billion. This is a substantial increase on 2015-16, but less than the £4.2 billion provided in 2012-13.

UKEF supported 221 businesses: 148 received direct support; 71 were assisted in securing private sector support; and two companies received both.

UKEF supported UK companies in achieving £585 million of new contracts through its trade finance support targeted at smaller businesses. **UKEF has supported more than £3.5 billion of new contracts** since this was introduced in 2011.

Future developments

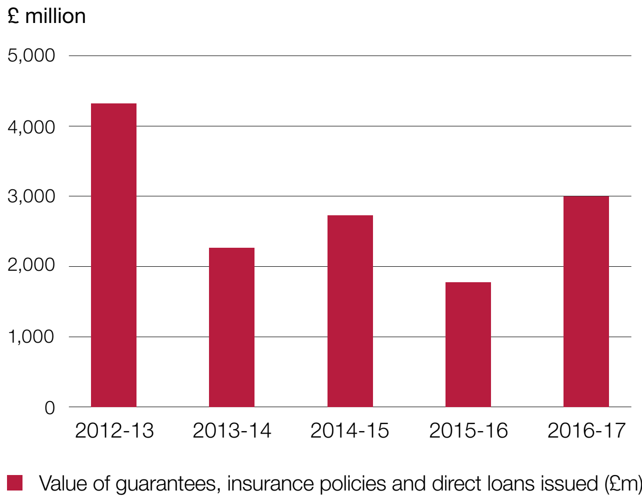
To help exports, the 2016 Autumn Statement **doubled UKEF's 'risk appetite' to £5 billion**: UKEF must manage its support so there is a less than 1% chance that losses will exceed £5 billion over 10 years.

The government **has quadrupled, to 40, the number of pre-approved local currencies** where it can offer support. UKEF is also able to double the level of financial support available in more than 200 markets globally.

UKEF's 2017–2020 business plan, published in July 2017, **does not set out radical change** but makes commitments to be: **a more customer-focused organisation, supporting higher volumes of business, investing in its technological capability and digital tools**, and being a great place to work – in collaboration with DIT.

UKEF's **credit risk exposure amounted to £23.4 billion** in 2016-17. The largest liability (circa £6 billion) related to Airbus. However, when Airbus reported irregularities in its use of overseas agents in its UKEF applications in 2016, the latter reported this to the Serious Fraud Office. UKEF has not supported any new Airbus business since.

Total potential liabilities issued by UKEF each year



Source: UK Export Finance Annual Report and Accounts 2016-17

Note

1 Credit exposure is the total amount of credit extended to a borrower by a lender. The magnitude of credit risk exposure indicates the extent to which the lender, in this case UKEF, is exposed to the risk of loss in the event of the borrower's default, for example Airbus.

Appendices

Appendix One – Exiting the European Union

Appendix Two – Staff and pay 2016-17: DIT and UKEF

Appendix Three – Staff attitudes and engagement in 2016

Appendix Four – Department for International Trade sponsored bodies

Appendix One – Exiting the European Union

Across government the NAO considers that a **successful implementation of Brexit** will require:

- strong collaboration and coordination across departments;
- a clear sense of prioritisation at departmental and cross-departmental level, including decisions to stop or delay projects; and
- a robust assessment of the required capability and a cross-government strategy to address any gaps.

If the International Trade Committee chooses to examine how DIT is organising itself to deliver a successful Brexit it may wish to explore the following two issues, which are particularly pertinent to DIT:

Staffing and resources

Departments will need to have assessed what skills and resources are needed to deliver a successful Brexit in the short to medium term. Filling any gaps may mean recruiting staff externally and a movement of staff across government to where they are needed most.

DIT's annual report recognises that one of its greatest challenges is recruiting and retaining suitably qualified staff. To ensure it has the capacity and capabilities to deliver its trade negotiation function it has **quadrupled the size of the Trade Policy Group**.

DIT has also **recruited externally for some senior roles**, including Chief Economist, Chief Trade Negotiation Advisor and Director of Communications, and for 120 junior and middle-level roles.

DIT has **drawn staff from across government** to fill its share of the more than 2,000 new roles created in the new departments and elsewhere to work on Brexit-related issues.

Coordination across government

Departments should be clear how what they are doing aligns with plans across government to deliver a successful Brexit.

DIT will need to **work closely with a number of other departments** during trade negotiations, in particular: the Department for Environment, Food & Rural Affairs, the Department for Business, Energy & Industrial Strategy, and HM Treasury.

Trade policy creation and negotiation will involve most government departments, so that they can draw on the sector, industry and policy-specific knowledge of teams across the civil service.

In response to this the Department has, with the Foreign & Commonwealth Office, **established a Trade Policy and Negotiations Faculty**, attached to the existing FCO diplomatic academy, to train people from across the civil service in trade policy and negotiation.

Appendix Two – Staff and pay 2016-17: DIT and UKEF

Staffing

DIT had an average of 2,323 staff in 2016-17, consisting of 1,166 civil servants, 1,051 locally engaged staff, 102 temporary staff, three ministers and one special adviser. By July 2017, it had just under 3,200 staff.

UKEF employed an average of 267 staff in 2016-17.

The median total remuneration of DIT staff was £35,409. The ratio of the median total staff remuneration package compared to the highest paid staff was 5. UKEF's ratio was 6.1, despite its higher median total remuneration of £40,785, as senior UKEF roles compete with the private sector.

Women account for 45% of DIT's workforce, and 42% of its senior civil servants. DIT does not provide information on ethnicity or disability diversity.

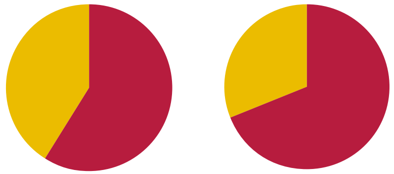
Women account for 36% of UKEF's workforce. Black and Minority Ethnic employees accounted for 27.5%, while 3.7% have a disability.

A lack of people and skills could adversely impact on DIT's ability to operate successfully. To mitigate this, DIT is developing its business model, learning and development strategy and undertaking a talent-mapping exercise.

UKEF identifies recruiting and retaining staff as a key risk.

Workforce in Department for International Trade 2016-17

Staff gender



Department for International Trade | UK Export Finance

Male 55% | 64%
Female 45% | 36%

Staff breakdown 2016-17 (FTE)

	Department for International Trade	UK Export Finance (Payroll and off-payroll staff)
Permanent Staff numbers	**2,323** (full-time equivalent)	**267** (full-time equivalent)
Cost (£m)	**114.4**	**16.5**

Pay multiples 2016-17	**Department for International Trade**	**UK Export Finance**
Ratio	5	6.1
Band of highest paid director's total remuneration (£)	170,000–175,000	250,000–255,000
Median total remuneration (£)	35,409	40,785

Appendix Three – Staff attitudes and engagement in 2016

The government has conducted its Civil Service People Survey annually for the past six years.

The most recent survey was carried out in November 2016.

In general, DIT was slightly below the civil service average for most measures of staff attitudes and engagement.

The overall employee engagement at 56% was lower than the civil service benchmark of 59%.

The Department scored highest on working in 'My team' and on having an understanding of DIT's 'Organisational objectives and purpose'.

DIT staff's lowest score was on pay and benefits ('I feel that my pay adequately reflects my performance'; 'I am satisfied with the total benefits package'; and 'Compared to people doing a similar job in other organisations I feel my pay is reasonable'). This was nearly one-third lower than the civil service average of 31%.

The Department's response rate was 83%, slightly higher than the median response across the 98 participating organisations, which was 78%.

Attitudes of staff in 2016 – Department for International Trade

Key

■ Results in 2016

Theme	Results in 2016	Civil service average
My work	73%	75%
Organisational objectives and purpose	76%	83%
My manager	67%	68%
My team	78%	80%
Learning and development	45%	50%
Inclusion and fair treatment	74%	76%
Resources and workload	65%	73%
Pay and benefits	21%	31%
Leadership and managing change	31%	43%

Engagement index 2016

-- Civil service benchmark 2016 (59%)

Department for International Trade 56%

Note

1 The Index is calculated as a weighted average of the responses to five employee engagement questions and ranges from 0% to 100%. A score of 0% represents all respondents giving a rating of 'strongly disagree' to all five questions. A score of 100% represents all respondents giving a rating of 'strongly agree' to all five questions.

Sources: Civil Service People Survey 2016

Appendix Four – Department for International Trade sponsored bodies

Links to the website of sponsored bodies/arm's-length bodies, executive agencies and executive non-departmental public bodies

Department for International Trade
www.gov.uk/government/organisations/department-for-international-trade

UK Export Finance
www.gov.uk/government/organisations/uk-export-finance

Parts of the Department for International Trade with separate websites:

The GREAT campaign
www.great.gov.uk

Export Control Organisation
www.gov.uk/government/organisations/export-control-organisation

Defence and Security Organisation
www.gov.uk/government/organisations/department-for-international-trade-defence-and-security-organisation

UKTI – Former website
www.gov.uk/government/organisations/uk-trade-investment