

A Short Guide to the

Department for Exiting the European Union



About this guide and contacts

This Short Guide summarises the work of the [Department for Exiting the European Union \(DExEU\)](#) including what it does, how much it costs, and recent and planned changes.



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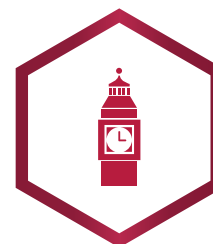
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The Department for Exiting the European Union was set up in July 2016



The Department was formed by combining staff and the functions of the Cabinet Office's Europe Unit, the Europe Directorate of the Foreign & Commonwealth Office and the UK's Permanent Representation to the EU

The Department has three stated objectives relating directly to exiting the EU



Lead the UK's negotiations to leave the EU and establish a new partnership between the EU and the UK



Work with the devolved administrations, Parliament and a wide range of other interested parties throughout the negotiations



Lead and coordinate cross-government work to seize the opportunities and ensure a smooth process of exit, including the required domestic legislation, on the best possible terms

The Department's spend and staffing in 2016-17



£24.7 million spent by the Department in 2016-17. This comprises £25.7 million expenditure and £1.0 million income, against a budget of £50.9 million



By March 2017, DExEU had 384 staff

About the Department

The Department for Exiting the European Union (DExEU) was set up in July 2016, in response to the result of the EU referendum

The Department was formed by combining staff and functions of the Cabinet Office's Europe Unit, the Europe Directorate of the FCO, and the UK's Permanent Representation to the EU (UKRep). UKRep continues to operate as part of the FCO. The FCO transferred £2.8 million funding for its European Department to DExEU. It also provided 44 members of staff, on loan, to give expert policy, legal and private office support to help establish DExEU.

The Department is responsible for managing the process of exiting the UK from the EU

This includes overseeing the negotiations to leave the EU and establishing the future relationship between the UK and the EU.

DExEU works closely with other government departments to collect and analyse information to inform the UK's negotiating position and legislative timetable. The Secretary of State has described the Department as "a mixture of a coordination, linking and policy department".¹ DExEU works most closely with the departments that are responsible for the policy areas that are central to negotiations, such as the Department for Business, Energy & Industrial Strategy and the Home Office. Any policy consequences from the UK's departure from the EU will continue to be the responsibility of the individual lead departments and not DExEU.

The Department's stated objectives are to:

- lead the UK's negotiations to leave the EU and establish a new partnership between the EU and the UK;
- work with the devolved administrations, Parliament and a wide range of other interested parties throughout the negotiations;
- lead and coordinate cross-government work to seize the opportunities and ensure a smooth process of exit, including the required domestic legislation, on the best possible terms;
- continue our work across Whitehall and in Brussels to ensure collective government on European business, exercise our rights and meet our obligations as a member of the EU until we exit; and
- attract and develop great people and organise ourselves flexibly to deliver our objectives efficiently and effectively.

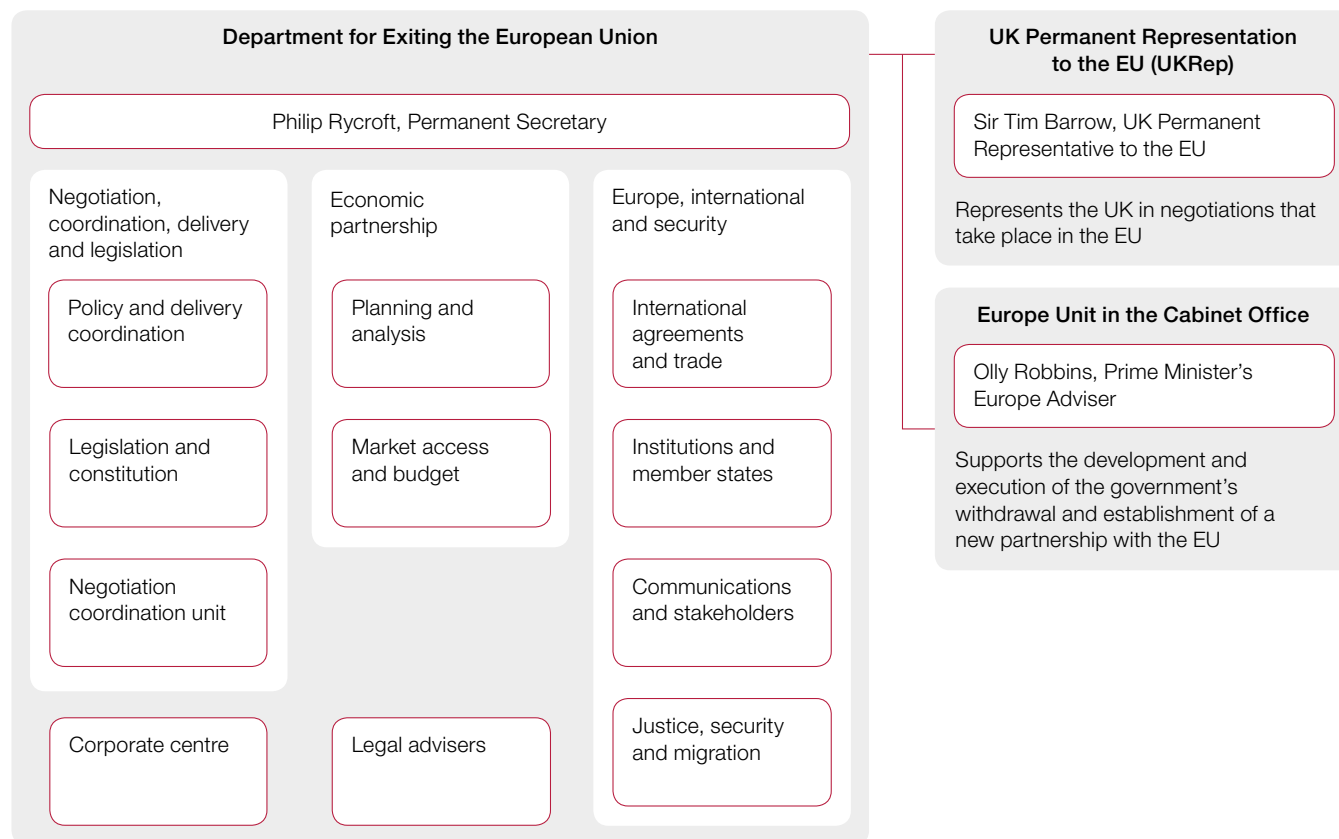
¹ Evidence from Rt Hon. David Davis MP to the Committee for Exiting the European Union, HC 815, 14 December 2016, available at <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/exiting-the-european-union-committee/the-uks-negotiating-objectives-for-its-withdrawal-from-the-eu/oral/44457.pdf>

How the Department is structured

DExEU is led under three director general groups and supported by a corporate centre directorate alongside embedded lawyers from the Government Legal Department. It has close links with the UK Representation to the European Union, the Cabinet Office and its Europe Unit.

Philip Rycroft is Permanent Secretary and has responsibility for managing the Department's overall policy and legislative programme.

He is also Second Permanent Secretary, Head of the UK Governance Group in the Cabinet Office. This group leads the government's work on constitutional and devolution issues that is coordinated by DExEU and the Cabinet Office.



Source: National Audit Office analysis of the Department for Exiting the European Union's documents

The Department set out what it regards as its key achievements during 2016-17 in its Annual Report. Those relating most directly to the UK's exit from the EU are:

Leading the UK's negotiations with the EU



The Department has led and coordinated policy work across government to help shape the 12 objectives for the negotiations set out by the Prime Minister's Lancaster House speech on 17 January 2017. The February 2017 white paper on the UK's exit from, and new partnership with, the EU set out the government's objectives and the rationale underpinning the approach to the negotiations.

The European Union (Notification of Withdrawal) Act received Royal Assent on 16 March 2017. The Prime Minister subsequently wrote to the President of the European Council on 29 March 2017, to trigger Article 50. It also proposed principles for the negotiations that began in June 2017.

Working with the devolved administrations, Parliament and others



The Department has undertaken multilateral and bilateral engagement with the devolved administrations, the Crown Dependencies and Overseas Territories.

There have been four debates in Parliament on issues ranging from workers' rights to security cooperation, and DExEU ministers have given evidence to 15 select committee sessions, including two appearances by the Secretary of State in front of the Exiting the EU Select Committee. The Department has also engaged with business, local government and civil society, including through ministerial roundtables and meetings. DExEU stated that by January 2017 it had held 150 stakeholder engagement events. DExEU says it intends to continue to consult widely throughout the negotiations.

Leading and coordinating cross-government work



The Department has coordinated work across government to ensure that other legislation in relation to the UK's departure from the EU is prepared and delivered. This includes work to produce the Repeal Bill, which when enacted will repeal the European Communities Act 1972 and ensure a functioning statute book on the day the UK leaves the EU.

The Department has worked with other departments to collect and analyse data to support the UK's negotiating position, and will continue to scrutinise this information throughout the negotiations. DExEU is also working with departments to ensure that they are planning for the consequences of any implementation processes arising from Brexit and the UK's new relationship with the EU.

The Department has established a series of cross-government governance arrangements to coordinate work. The Prime Minister also established and chairs Cabinet committees on European Union exit and trade, and the negotiations to oversee the exit at Cabinet level, which are supported by a joint secretariat in the Department and the Cabinet Office.

Exiting the European Union

Across government the National Audit Office 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 Committee chooses to examine how DExEU has established itself to negotiate and bring government together to deliver a successful Brexit, it may wish to explore the following issues:

Coordination across government

Departments should be clear about how the actions they are taking align with plans across government to deliver a successful exit from the EU. DExEU, with the Cabinet Office and HM Treasury, should provide clarity to departments on respective roles and responsibilities.

Prioritisation of activities

Departments will need to prioritise their activities in response to EU exit. We would expect this to involve stopping or pushing back some activities. The activities that are prioritised will need to incorporate a strong emphasis on delivery as well as policy. The centre of government will need to take a cross-departmental view on where resources need to be prioritised and redeployed.

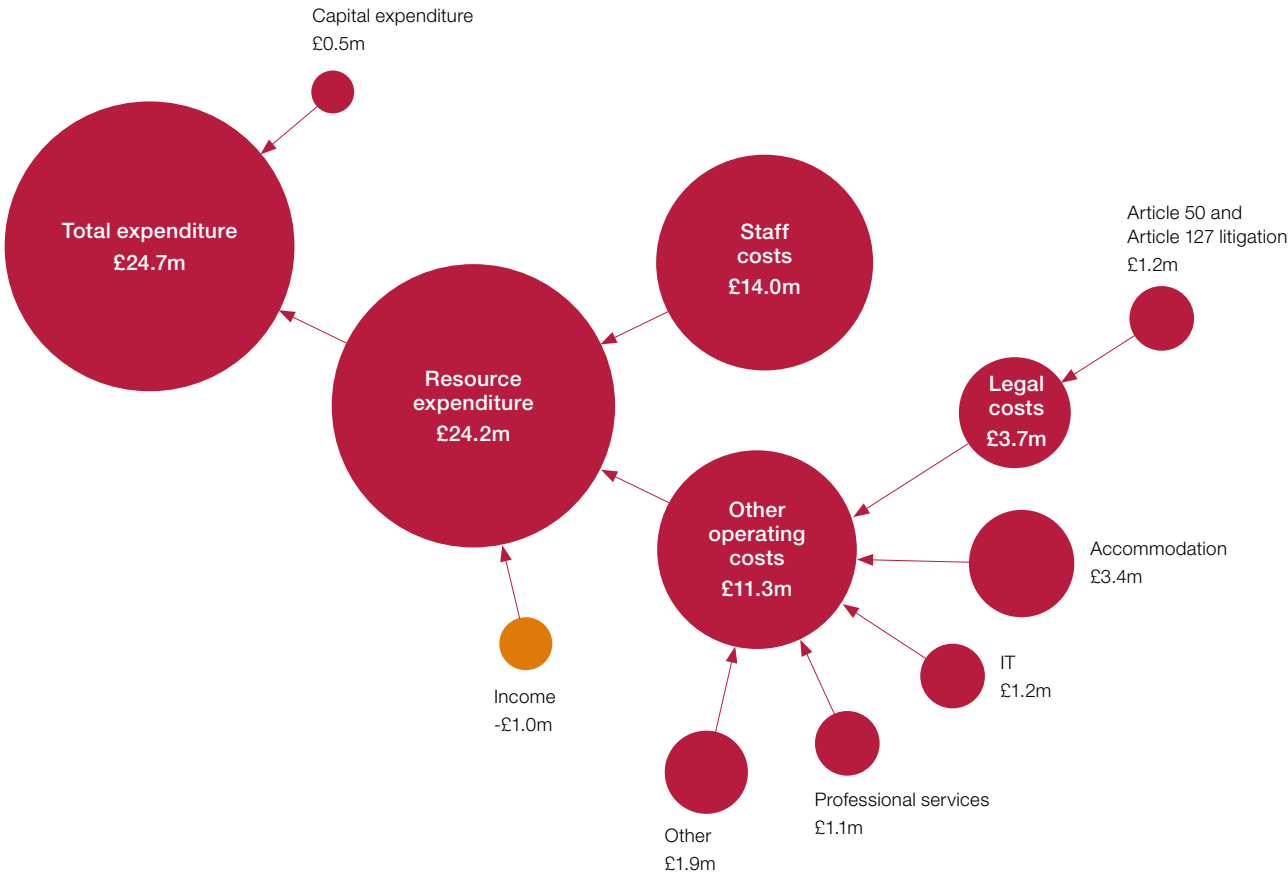
Staffing and resources

Departments will need to assess what skills and resources are needed to deliver a successful exit from the EU 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. The functional leadership model and Civil Service Human Resources will need to support departments in achieving this.

Where the Department spends its money

DExEU's expenditure during 2016-17 was £24.7 million.

This was just under half of the £50.9 million it was voted by Parliament. The Department's Annual Report notes that this underspend was due to the initial budget being set at a level that provided flexibility to deal with a range of different planning scenarios. It also noted that back-office arrangements and set-up activities had cost less than originally anticipated. The Department's headcount, both in numbers and grade profile, had been lower than anticipated. It had underspent against its budget for paid-for professional services, and had incurred lower than anticipated accommodation costs.



● Expenditure
● Income

- Notes**
- Figures may not sum due to rounding.
 - 'Other' includes expenditure on supplies and services, other staff related costs, travel, subsistence and hospitality and non-cash items including depreciation.
 - Income** – Due to the transfer of the Europe Directorate from FCO, DExEU has inherited the responsibility for receiving income from other government departments in respect of EU secondees and interpreters' fees.
 - Legal costs** – £2.2 million of this spend related to routine policy (fixed-fee) legal advice provided by the Government Legal Department. Of the remainder, approximately £0.7 million relates to government expenditure on Article 50 and Article 127 litigation and £0.5 million relates to court ordered third-party litigation costs.

Source: Department for Exiting the European Union, *Annual Report and Accounts 2016-17*

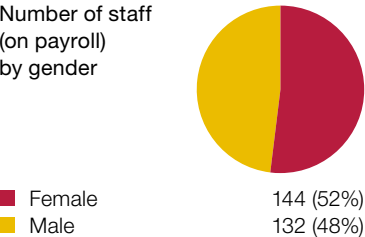
Staff and pay 2016-17

- **DExEU has grown from 56 staff when it formed in July 2016 to 384 staff by March 2017.** The average for 2016-17 was 209 staff.
- **Twenty-eight per cent of staff are not on DExEU's payroll.** 108 staff are either: secondees, who are paid by their employer, who DExEU then reimburses; contractors, paid via agencies; fast-streamers, paid centrally by HMRC; or staff on loan from their home department.
- The Department spent £89,000 on temporary staff. During the year the Department received consultancy services from a number of firms, but these were provided on a pro-bono basis so no costs were incurred in respect of these arrangements. Consultancy service providers to DExEU have included Boston Consulting Group, Accenture, KPMG, McKinsey and Deloitte.
- There are, in addition, more than **120 staff at the UK's Permanent Representation to the EU.** These do not form part of DExEU's headcount.

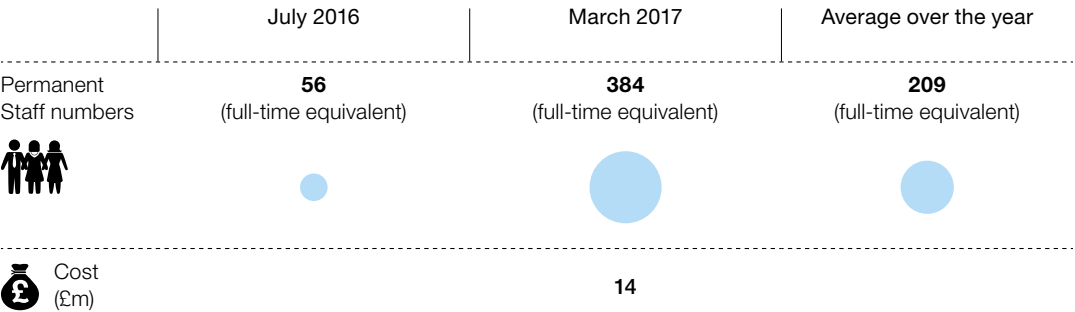
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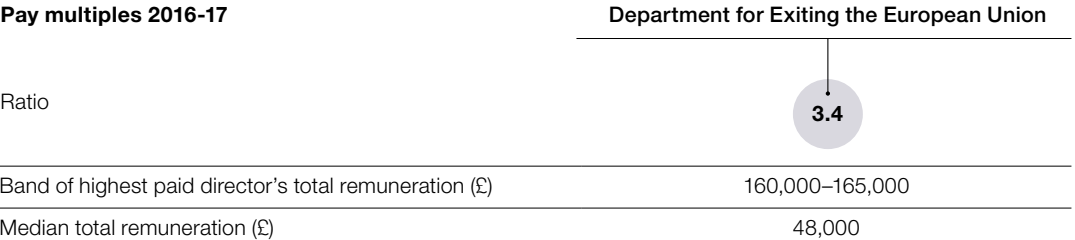
Workforce in Department for Exiting the European Union 2016-17



Staff breakdown 2016-17 (FTE)



Pay multiples 2016-17

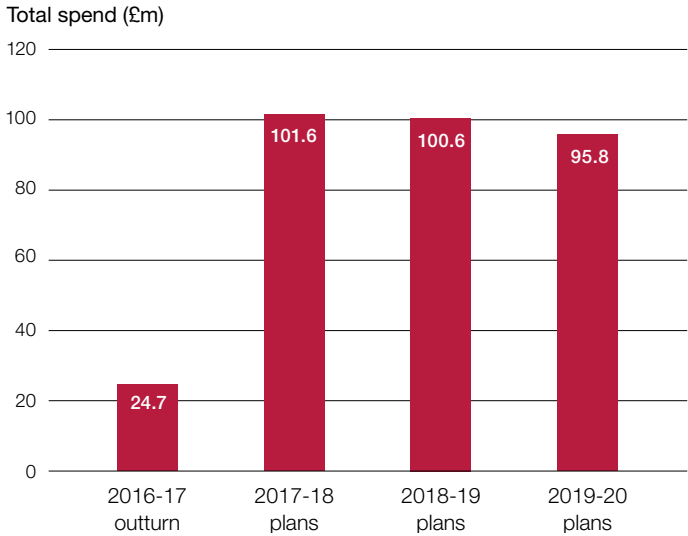


Source: Department for Exiting the European Union, *Annual Report and Accounts 2016-17*

DExEU is planning for expenditure of around £100 million per year for the next three years

The graph and table below show DExEU's outturn for 2016-17 alongside the planned expenditure for the next three years.

Current and future departmental spending



	2016-17 outturn (£m)	2017-18 plans (£m)	2018-19 plans (£m)	2019-20 plans (£m)
Total resource spend	24.2	101.5	100.5	95.7
Total capital spend	0.5	0.1	0.1	0.1
Total spend	24.7	101.6	100.6	95.8

Source: Department for Exiting the European Union, *Annual Report and Accounts 2016-17*

The National Audit Office has reported on Brexit issues that are relevant to the centre of government

Capability in the civil service (March 2017)

The report set out the challenges facing the civil service in getting the right specialist capacity and skills to undertake all that government wants it to do.

The decision to leave the EU means government will have to take on tasks previously undertaken by others, requiring the development of skills not previously planned for. Government has acknowledged that it needs to do more on workforce planning. It committed all departments to producing workforce plans by March 2017 and is seeking to develop specialist skills by setting out clear career paths and introducing pay flexibility where required.

In summer 2016, the Cabinet Office conducted a cross-government EU exit capability review and found that 12 of the 17 then main departments identified a 'considerable' or 'significant' impact to their capability in policy, operational and specialist skills areas. In 2017, the Cabinet Office and HM Treasury, along with DExEU, conducted an updated capability review with the overall aim of assessing government's readiness for exit from the EU. The Cabinet Office expects there will be continued demand for skills in these areas:

- trade negotiation;
- commercial and industry sector expertise;
- legal;
- project and programme management; and
- analysis (economics, statistics, data science, operational research).

We have issued reports on Brexit which are not directly related to the work of DExEU

Customs Declaration Service (July 2017)

When businesses import goods into, or export goods from, the UK, the goods pass through UK customs. HM Revenue & Customs (HMRC) is responsible for processing custom declarations and collecting the associated revenue.

HMRC began to replace its customs system during 2013-14. Leaving the EU brings forward the need for the new system to be fully implemented from the end of 2020 to March 2019. HMRC will also need to respond to any changes in the customs process arising from exiting the EU. There could be a significant increase in custom declarations; HMRC estimates that these could increase from 55 million a year to 255 million a year after March 2019.

We concluded that the timeline for completing the Customs Declaration Service (CDS) programme under its current scope allows very little flexibility should the programme overrun or unexpected problems occur. While HMRC is working to manage the risks and issues identified in the report, and is developing contingency plans, the whole of government must choose now whether it needs to do more to help HMRC to mitigate the risk of the system being needed, but not ready in time. For example, by prioritising funding and resources to speed up progress with the programme, and by supporting HMRC to develop contingency options. What is not reasonable is leaving HMRC to decide alone what mitigating actions are needed. Government as a whole must decide what priority it attaches to the CDS programme, and whether any extra costs linked to having a suitable customs system in place by early 2019 are an insurance premium worth paying.

Briefing on EU-UK finances (December 2016)

This briefing was prepared to provide Parliament with information about the financial relationship between the UK and the European Union and to assist scrutiny of the government's strategy for leaving the EU. It sets out some relevant background information about the EU; sets out EU revenue, payments, assets and liabilities; and provides some information on how and where EU payments to the UK are spent.

Appendix One – Staff attitudes and engagement

The government has conducted its Civil Service People Survey annually for the past six years. The most recent survey was carried out during November 2016.

There were approximately 250 staff employed in the Department at the time of the survey. The response rate was 85%, slightly higher than the median response across the 98 participating organisations, which was 78%.

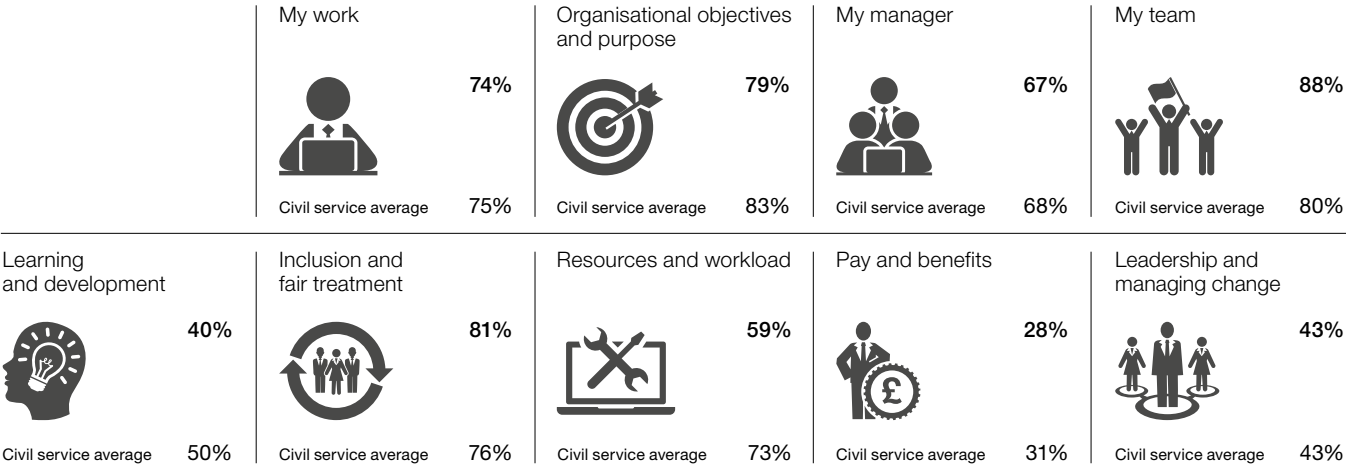
The DExEU results fell around the civil service average for most measures of staff attitude and engagement, although the overall employee engagement at 64% was higher than the civil service benchmark of 59%.

The Department scored highest on working in “My team” and on its “Inclusion and fair treatment”.

DExEU staff’s lowest score was on pay and benefits and it was significantly below the civil service average on “Learning and development” and “Resources and workload”.

As the survey was undertaken during the Department’s first year – a period of growth and change – the results should be treated with caution.

Attitudes of staff in 2016 compared with 2015 – Department for Exiting the European Union



Engagement index 2016



Source: Civil Service People Survey 2016

Appendix Two – Accountability to Parliament

Accounting Officers (AOs) in government departments are personally responsible and accountable to Parliament for proper stewardship of the resources allocated to their department. In DExEU, the Permanent Secretary, Philip Rycroft, is the Accounting Officer. A key element of the accountability process is the duty of the AO to appear in front of the relevant select committee, in this case the Exiting the European Union Committee, to explain the performance of his/her department.

In a February 2016 report, *Accountability to Parliament for taxpayers' money*, the NAO set out four essentials of accountability and found that:

- the incentives on an AO to prioritise value for money are weak compared with those associated with the day-to-day job of satisfying ministers; and
- in terms of the balance of priorities that AOs have to strike, the emphasis has shifted over a number of years towards political drivers – sometimes at the expense of safeguarding public value.

As a result, since mid-2017 each department has been required to produce an Accounting Officer System Statement. The Statement outlines accountability arrangements for all public money falling within the department's policy responsibilities, and all relevant accountability relationships within the department, such as for arm's-length bodies and other delivery partners.

DExEU's Accounting Officer System Statement sets out that the Department currently funds no arm's-length bodies, pays no grants to third parties, and devolves no responsibility to spend outside of the core departmental boundary.

Another new requirement is the introduction of Accounting Officer Assessments. AOs are now required to:

- examine whether they should go ahead with each major project, at the outset and at key decision points; and
- assess projects against the standards included in *Managing Public Money* (regularity, propriety, value for money and feasibility), and to raise concerns.

Key points from the assessments should be shared with Parliament, for all major projects that are approved.

The four essentials of accountability

1

A clear expression of spending commitments and objectives



2

A mechanism or forum to hold to account



3

Clear roles and someone to hold to account



4

Robust performance and cost data



Source: Comptroller and Auditor General, *Accountability to Parliament for taxpayers' money*, Session 2015-16, HC 849, National Audit Office, February 2016

Appendix Three – Relevant National Audit Office publications

Title	Publication date	Description
<u>The UK border</u>	October 2017	This publication sets out how government works at the border and raises specific challenges for border management that could arise as the UK prepares to leave the EU in 2019.
<u>The Customs Declaration Service</u>	July 2017	HMRC has made progress in developing the new customs system, a programme which pre-dated the decision to leave the EU. The timeline for completing the CDS programme allows very little flexibility for overruns or unexpected problems. Wider government must choose whether it needs to do more to help HMRC mitigate the risk of the system being needed but it not being ready in time.
<u>HM Treasury's economic analysis in the lead-up to the referendum on European Union membership</u>	June 2017	This review looks at HM Treasury's processes in its analysis of the impact of leaving the European Union, and provides comparisons with other published studies.
<u>Capability in the civil service</u>	March 2017	Government has gaps in its capability and must do more to develop the skills needed. It is making plans, but the scale of the challenge means greater urgency is needed.
<u>Briefing on EU-UK finances</u>	December 2016	This briefing was prepared to provide Parliament with information about the financial relationship between the UK and the European Union. It is intended to assist scrutiny of the government's strategy for leaving the EU.
<u>Financial management of the European Union budget in 2014: a briefing for the Committee of Public Accounts</u>	February 2016	This briefing on financial management of the EU budget was prepared for the UK Committee of Public Accounts, drawing exclusively from published material.