



National Audit Office

Report

by the Comptroller
and Auditor General

Implementing the UK's exit
from the European Union

The Department for Environment, Food & Rural Affairs

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Our public audit perspective helps Parliament hold government to account and improve public services.

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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Implementing the UK's exit
from the European Union

The Department for Environment, Food & Rural Affairs

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

18 December 2017

This briefing describes the mechanisms established by government to oversee and take forward implementation of the UK's exit from the European Union.

The briefing focuses on how the Department for Environment, Food & Rural Affairs is preparing to exit from the EU.

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The National Audit Office's programme of work on Exiting the EU

Leaving the European Union will be a key moment for the UK, and one that will have a very significant impact across the public sector.

The NAO has an ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This document is one of a series of reports that provides insight on aspects of government's preparedness for Exiting the EU.

Our back catalogue of work is set out in Appendix One.

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The National Audit Office study team consisted of:
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This report can be found on the National Audit Office website at www.nao.org.uk

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Key facts

1,200

Defra's estimate, as at November 2017, of the total number of new full-time equivalent posts to be filled by March 2018 to support EU Exit

43

the number of delivery work streams, as at December 2017, Defra has identified for EU Exit

80%

of Defra's areas of responsibility framed by EU legislation

£94.4m

Defra's approved EU Exit spending for 2017-18

650

of the 1,200 full-time equivalent EU Exit staff posts filled as at November 2017

20

of the 43 work streams expected to have some IT component, as at December 2017

95

Defra's estimate, as at December 2017, of the number of items of secondary legislation needed to complete the conversion of EU law into UK law at the point of Exit

£147m

Budget reductions for 2017-18 and 2018-19 required by 2015 Spending Review

Summary

The Department for Environment, Food & Rural Affairs (Defra) is one of the departments most affected by EU Exit. With almost all of its areas of responsibility framed by EU legislation, it is a key player within government in negotiations on the withdrawal agreement and the future partnership with the EU, in future trade agreements, border planning and in agreeing future arrangements with the devolved administrations.

The scale of Defra's task

- Defra received income of £3.3 billion in 2016-17 from the EU, mostly to reimburse direct payments made to farmers under the Common Agricultural Policy. Exiting the EU means Defra must take on greater responsibility for future funding in a range of policy areas (including agriculture and fisheries). It must also develop alternative regulatory arrangements to replace those currently carried out by EU institutions.
- Defra is currently responsible for 43 of the 313 EU-related work streams identified across government – the second highest of any department. These vary in scope and scale from rewording existing EU guidance to establishing new domestic regulatory regimes.
- Almost half (20) of Defra's work streams have an IT element. Many of these IT components are still being scoped, and could range from minor updates to entirely new systems.
- Approximately 80% of Defra's areas of responsibility are currently framed by EU legislation and 25% of EU laws apply to its sectors. It has an extensive legislative programme to prepare for EU Exit – primary legislation on agriculture and fisheries, and an estimated 95 statutory instruments to successfully convert existing EU law into UK law at the point of Exit. This is in addition to any further 'business as usual' statutory instruments that may be needed.
- Defra's legislative programme is vulnerable to risks, such as delays to the negotiations and competing demands across government, that are outside its control and could affect its ability to deliver a successful Exit.
- Alongside planning and delivery for EU Exit, Defra must also accommodate budget cuts of £147 million during 2017-18 and 2018-19 plus further spending reductions as a result of new policy choices and other budgetary pressures.

In setting about its task Defra, working with others, has:

- organised its EU Exit programme into five policy streams (fisheries; environmental regulation; future of farming; animal and plant health; and food), three cross-cutting themes (negotiation, legislation and devolution) and seven enabling functions including IT, communications and commercial and procurement.
- as at the end of November 2017, developed high-level critical paths for all of its work streams with detailed project plans for its six highest priority work streams. The plans prepare for two possible EU Exit scenarios – a negotiated outcome and a ‘no deal’ outcome – and Defra is also exploring the implications of a possible transition period.
- agreed spending of £94.4 million with HM Treasury to fund its EU Exit programme in 2017-18 but funding for 2018-19 is yet to be agreed.
- agreed proposals for prioritising its ICT portfolio to enable the delivery of EU Exit and is starting to systematically review its workload across EU Exit and business as usual to establish which areas of work can be stopped, slowed down or reduced in scope.
- as at 30 November 2017, filled 650 vacancies across the Defra Group to meet the additional requirements of EU Exit with a further 150 staff appointed but not yet in post. However, it has approximately 400 further full-time equivalent vacancies to fill by the end of March 2018 taking its total requirement for 2017-18 to 1,200. Recruitment is expected to become more challenging as competition for skilled staff increases across government and the private sector.
- identified a need for approximately 150 additional programme and project management staff to support the EU Exit programme.
- engaged with other government departments to co-ordinate EU Exit preparations, including contributing to cross-departmental boards on borders, devolution and legislation, and leading cross-departmental work on chemical regulation jointly with the Health and Safety Executive.
- engaged with its arm’s-length bodies, the devolved administrations and stakeholder groups.

The scale of Defra's task

Defra is responsible for developing and implementing policy on the environment, food and rural issues

Defra set out its objectives in its Single Departmental Plan published in December 2017:

- A smooth and orderly exit from the EU
- A cleaner, healthier environment, benefiting people and the economy
- A world leading food and farming industry
- A rural economy that works for everyone, contributing to national productivity, prosperity and wellbeing
- A nation better protected against floods, animal and plant diseases and other hazards, with strong response and recovery capabilities

This is how Defra plans to achieve a smooth and orderly EU Exit:

- Ensure arrangements are in place on Day 1 so there is no gap in its regulatory and delivery frameworks
- Provide certainty and clarity to its customers, businesses and the public
- Play its role in forging a new, strong, constructive partnership with the EU, securing the right deal for all parts of the UK
- Build new functions as responsibilities are repatriated from the EU
- Ensure the voice of Defra's sectors and stakeholders are heard as we leave the EU
- Take an active role in the negotiating process for the EU Withdrawal Agreement, the new relationship with the EU, the negotiations around fisheries, trade agreements with third countries, and the UK's schedule at the World Trade Organization
- Develop primary and secondary legislation, including for the Withdrawal Bill, to achieve a smooth exit and our longer-term end state
- Build new delivery systems to enable a smooth and orderly exit, and new approaches that are tailored to the needs of this country, enabling us to leave the environment in a better state than we found it

Leaving the EU will impact on all of Defra's key areas of work

The EU is a substantial source of funding for a range of policies in Defra's portfolio

In 2016-17, Defra received income of £3.3 billion from the EU. Exiting the EU means the Department must take on greater responsibility for future funding in a range of policy areas. For example:

Common Agricultural Policy funds

Under the EU's Common Agricultural Policy, Defra receives a total of around £3 billion of EU funds each year to support the UK farming industry. Following the referendum result, the UK government has committed to maintaining funding until 2022. Looking ahead, the Department will play a central role in the transition from EU to UK funding, and in the design and funding of any future domestic scheme.

European Maritime and Fisheries Fund (EMFF)

The EMFF provides support for sustainable development within the fishing and aquaculture sectors and conservation of the marine environment, alongside growth and jobs in coastal communities. The UK's share of this fund is approximately £190 million until 2020, but eligibility for these funds may, depending on negotiations, end when the UK leaves the EU.

Animal and plant health funds

A number of EU funding streams support animal and plant health in the UK, including funds to tackle bovine TB and support bee health. The EU also provides contingency funding in the event of an animal disease outbreak. For example, the UK received €735,000 from the EU to combat avian flu in 2015.

EU institutions carry out regulatory functions in a number of Defra's areas of responsibility

Defra must find ways to ease the transition from EU-based systems to domestic ones to facilitate the 'smooth and orderly exit' it is seeking to achieve. EU Exit will require the Department to find alternative regulatory solutions to replace those currently carried out by EU institutions, including:

The European Medicines Agency (EMA)

The EMA authorises veterinary medicines for use in the EU, and is responsible for setting safety standards for the maximum residue levels from veterinary medicines permissible in animal products for human consumption. In November 2017, the EMA announced that it would move from its current London location to Amsterdam.

The European Chemicals Agency (ECHA)

The ECHA is responsible for the operation of key aspects of EU chemicals regulation. All chemicals must be registered under the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation in order to access the EU single market.

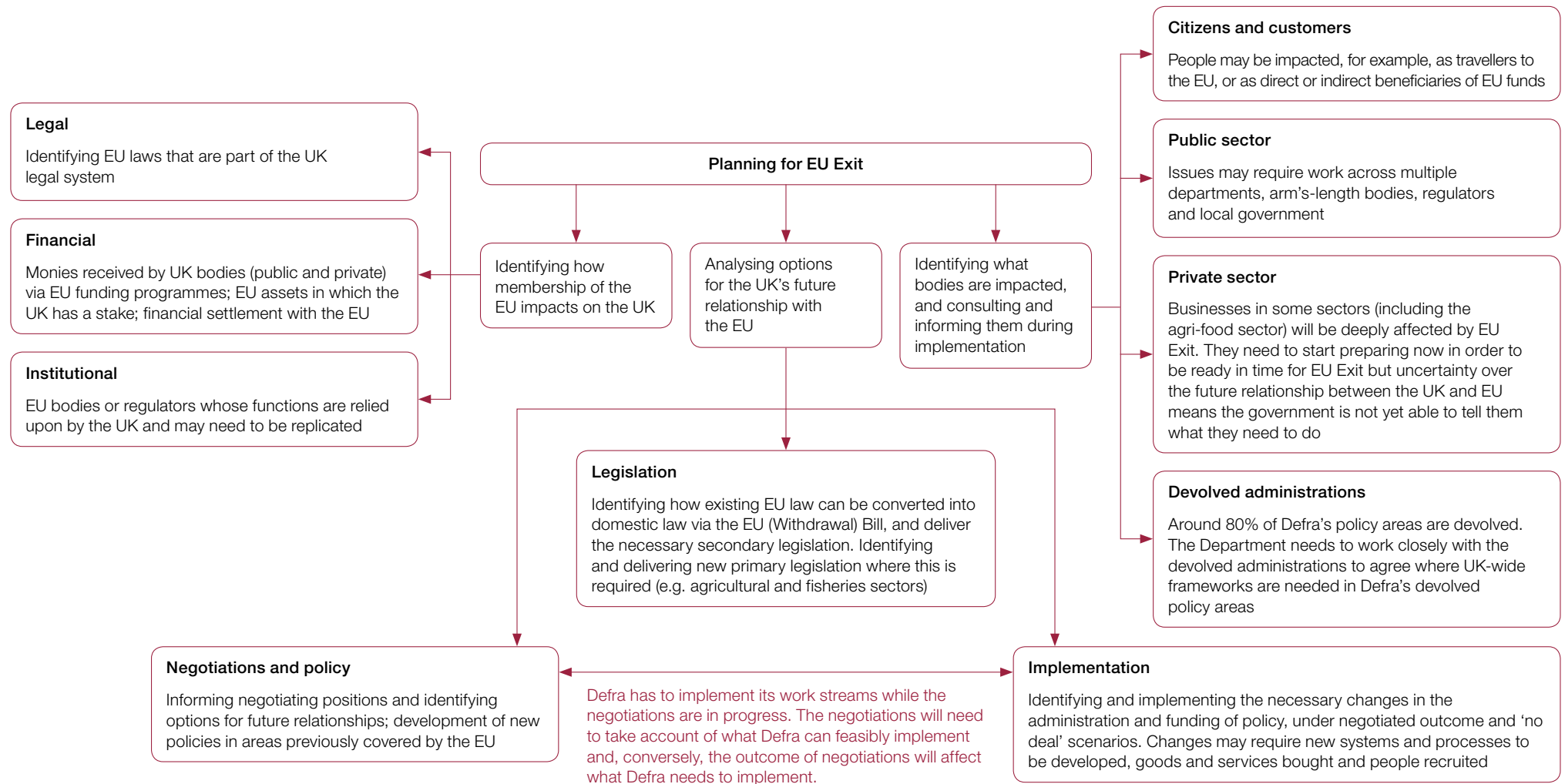
The European Environment Agency (EEA)

The European Commission and the EEA administer quotas and licensing for fluorinated gases (F-Gases) and ozone depleting substances (ODS) across the EU.

The European Food Safety Agency (EFSA)

The EFSA provides the European Union with scientific advice and opinions on risks to the food chain, including from pesticides.

Defra's task is complex and involves a wide range of stakeholders



Defra is responsible for 43 of the 313¹ EU Exit work streams – the second highest number of any department

Defra's EU Exit work streams vary in scope and scale from rewording existing EU guidance to establishing new domestic regulatory regimes.

Defra faces a number of challenges in planning for EU Exit:

- The scope of the EU Exit programme is dependent on the outcomes of the negotiations, requiring Defra to respond flexibly to developments, plan for a range of scenarios, build in contingency and, in some cases, commit resources to work that may prove unnecessary.
- Almost half (20) of Defra's work streams have an IT element. Many of these IT components are still being scoped, and could range from minor updates to entirely new systems.
- Defra's programme is highly dependent on EU Exit policy in other parts of government, with extensive cross-government collaboration and co-ordination required. For example, on borders, Defra is collaborating with the Home Office, HM Revenue & Customs and a number of other departments. To help ensure that the necessary collaboration and co-ordination occurs, the Government has established the Border Planning Group, a senior officials cross-government group.

Examples of Defra's EU Exit related activity

Chemicals framework and systems

Defra is responsible for the policy and regulation of chemicals to prevent exposure and risk to human health and the environment. It must ensure an effective regulatory regime for chemicals, transferring REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) into UK law and potentially replacing functions currently performed by the European Chemicals Agency (ECHA).

Common Agricultural Policy (CAP) schemes

The government has committed to maintaining the same levels of support to farmers as currently provided by CAP until 2022. Defra will be responsible for administering a new system for England and working (alongside the devolved administrations) to develop the UK's future agricultural policy.

Import control system (TRACES)

Currently, efficient customs clearance of imports of animals and products of animal origin is managed through the EU's TRAdE Control and Expert System (TRACES), following appropriate biosecurity and public health checks. Defra may, depending on negotiations, need to replace this system when the UK leaves the EU.

Export Health Certificates (EHCs) for animal products, food and live animals exported to the EU

Currently, EHCs are only required for live animal and germinal exports to the EU. After Exit the UK may, depending on the outcomes of negotiations, be required to issue EHCs for all animal products exported to the EU. Existing systems may need to be upgraded to accommodate any increased workload.

¹ Defra refers to these internally as projects, but we have used the term "work streams" to match the terminology used by DExEU. The number of work streams is based on DExEU data as of 10 November 2017, at which time there were 313 work streams across government in total. The number of work streams has changed over time as the recording of some work streams has been split or merged to reflect the development of departments' plans. Defra has a change control process to manage any such changes.

Approximately 80% of Defra's work is currently framed by EU legislation and 25% of EU laws apply to its sectors

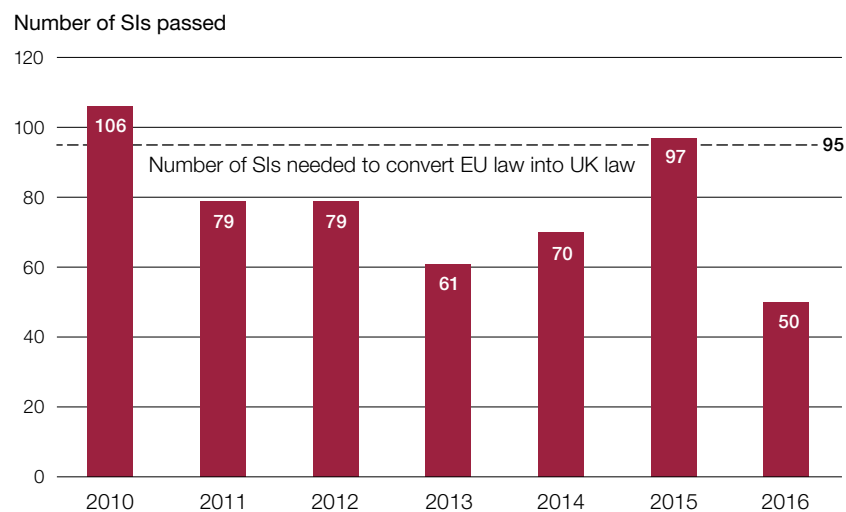
Defra must convert EU laws into UK law to ensure they are still operable after EU Exit

Defra is planning for an extensive legislative programme for its EU Exit programme, with two key pieces of primary legislation (on agriculture and fisheries) and an estimated 95 statutory instruments (SIs) required to complete the conversion of EU law into UK law at the point of Exit. These SIs will, for example, replace references to EU statutes and replace EU regulatory bodies with UK ones.

This volume of legislation, alongside business as usual, is significantly higher than Defra is used to. It will place considerable pressure on its policy-making capability and raises the risk that it may not be able to secure sufficient parliamentary time.

Defra has not been responsible for any new major primary legislation since the Flood and Water Management Act of 2010. The number of SIs needed to convert EU law into UK law is likely to exceed the total number of Defra SIs for most years and compares to an average of 77 per year since 2010.

Defra statutory instruments (SIs) 2010–2016



The timetable is challenging and the programme is vulnerable to a range of risks that are largely outside Defra's control and could affect its ability to deliver the programme. These include:

- delays in progress with the negotiations;
- competing demands for parliamentary time from other parts of government;
- failure to agree overarching UK frameworks with the devolved administrations; and
- amendments to the European Union (Withdrawal) Bill.

How Defra has set about its task

Defra has adapted its governance structures as its understanding of the task has developed

Defra has made changes to its governance structure

In April 2017, at the request of Defra's Permanent Secretary, the Infrastructure and Projects Authority (IPA) reviewed Defra's governance arrangements for EU Exit and recommended changes to its structures to strengthen programme management and to ensure Defra's EU Exit programme is fully aligned with its on-going Transformation Programme.² In response to this review, Defra restructured its governance arrangements over the summer of 2017.

Responsibility for delivery of EU Exit work streams sits with the Director General with policy responsibility in each of these areas. EU Exit Programme Boards report to existing Defra committees to ensure the integration of EU Exit delivery with non-EU Exit work.

The new governance structure

An **EU Exit Programme Board**: this replaced the Department's EU Exit steering group in September 2017, and is chaired by the Permanent Secretary, who became the Senior Responsible Officer (SRO) for the EU Exit programme.

Policy and cross-cutting EU Exit Boards have oversight of the EU Exit work streams. These include cross-cutting boards on negotiation and legislation as well as policy boards on marine and fisheries, environmental regulation, future farming, animal and plant health and food.

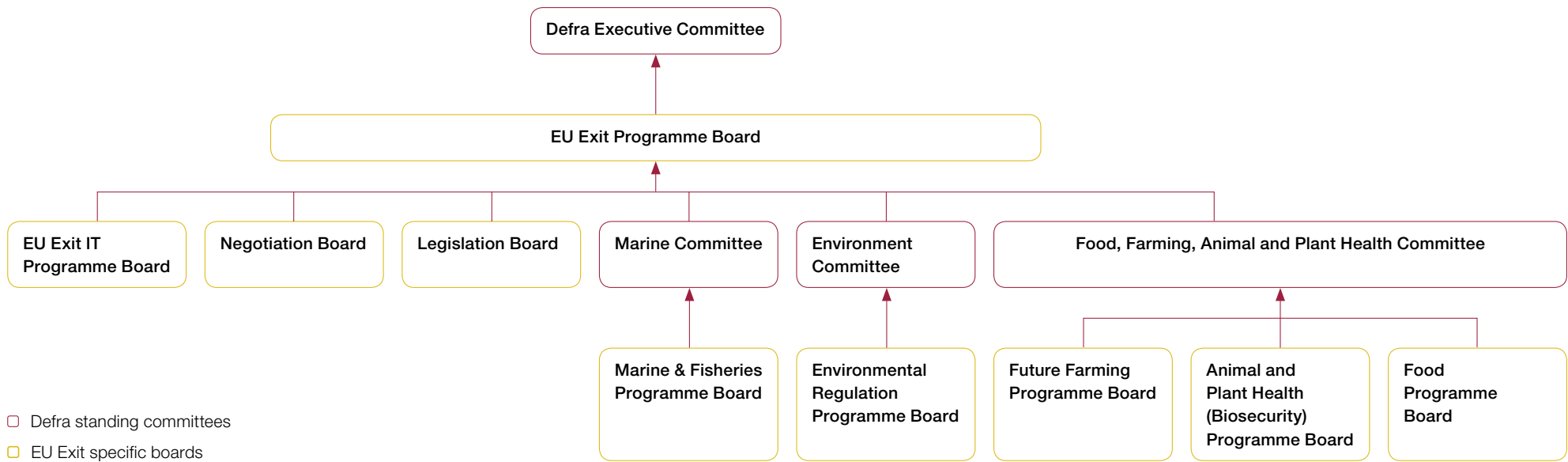
A separate **Programme Management Office (PMO)** whose function previously sat within the Strategy Directorate. The PMO oversees implementation of the EU Exit programme, taking responsibility for governance, support for programme and project management, and risk and dependency management. The PMO is responsible for maintaining an EU Exit programme dashboard, and work streams report progress to the PMO on a weekly basis.

A **Design Authority** that sits within the Strategy Directorate and has oversight of the EU Exit programme, providing strategic oversight, integration with the Transformation Programme and ensuring that the implications of the ongoing negotiations are understood and fed into programme management.

² Transformation is an ongoing programme that aims to deliver Defra's objectives in the most efficient way and within the resources available. It includes changes to corporate services across the Defra Group to reduce duplication and improve efficiency. It is the major plank of Defra's drive to achieve the savings needed to meet its commitments under the 2015 Spending Review.

Defra's new governance structure seeks to integrate EU Exit with business as usual

Its EU Exit boards report to existing Defra Committees



Defra has organised its EU Exit programme into five substantive policy streams and three cross-cutting themes

		Responsibilities
Policy streams	Environmental Regulations	Translating EU environmental regulations into UK law (e.g. air and water quality, waste, bio-diversity), and establishing new regulatory frameworks in a range of areas including chemicals, pesticides, fluorinated gases and ozone depleting substances.
	Fisheries	Overseeing trade in fish post-EU Exit and the transition from the EU Common Fisheries Policy to a UK based system including access to UK waters, quota arrangements and enforcement and surveillance.
	Future of Farming	Overseeing the transition from EU Common Agricultural Policy funding to a UK based system, and the design of future agricultural policy.
	Animal and Plant Health (Biosecurity)	Addressing issues related to animal and plant health post-EU Exit. These include import and export checks on animals, products of animal origin and plants; equine passports; information sharing on animal and plant disease outbreaks and the regulation of veterinary medicines.
	Food	Addressing issues related to food post-EU Exit including trade; establishing a Geographical Indications system; Export Health Certificates (EHCs) and access to labour in the agri-food industry.
Cross-cutting themes³	Legislate	Oversight of all Defra legislation, including all statutory instruments relating to the EU (Withdrawal) Bill and the Agriculture and Fisheries Bills.
	Negotiate	Contributing to the UK's negotiations with the EU on Exit and the UK's future relationship with the EU, and wider trade relationships.
	Devolution	Overseeing Defra's relationship with the devolved administrations, including establishing UK frameworks and collaborating on the EU Exit legislative programme.

³ In addition to these cross-cutting themes, there are seven enabling functions: digital, data and technical; finance; commercial and procurement; people/HR/organisational delivery; estates; communications and change management; and legal.

Defra has prioritised its planning work, and has detailed plans in place for its six highest priority work streams

Defra has prioritised its 43 EU Exit work streams based on their complexity and risk

Defra has followed guidance from the Department for Exiting the European Union (DExEU) on planning for EU Exit and is preparing plans for two possible EU Exit scenarios:

- A negotiated outcome
- A 'no deal' outcome

It is also exploring the implications of an implementation period.

As at the end of November 2017, Defra had developed high-level critical paths for all of its 43 work streams and detailed project plans for the six highest priority work streams. It is now developing detailed plans for the medium and lower priority work streams.

In a number of cases, work streams with an IT component are still in the 'discovery' phase, establishing the needs of users and the scope of the service needed. Until this stage is completed, the scope and timescale for some work streams cannot be finalised and are subject to change.

Planning for a 'no deal' scenario inevitably means Defra will have to commit to some activities and programme spend that may be unnecessary if a negotiated outcome is achieved. Critical dates have been identified to ensure that spending on these contingencies is scrutinised and only takes place when necessary.

The Programme Management Office (PMO) is overseeing EU Exit planning to ensure consistency across the programme. It has engaged external consultants on a short-term basis to boost Defra's programme and project management capacity and to accelerate progress on the highest priority work stream plans. It will need to manage short-term risks to the continuity of planning and ensure that work stream plans are fully owned by the teams within Defra taking them forward.

Defra has secured some additional EU Exit funding for 2017-18, but resources for 2018-19 are yet to agreed

In recognition of the high level of uncertainty in the scale and scope of the EU Exit programme, HM Treasury is taking a staged approach to requests for additional EU Exit funds from departments.

HM Treasury has approved spending of £94.4 million for Defra's EU Exit programme in 2017-18 including funds for its arm's-length bodies. This comprises an initial amount of £38.5 million approved in January 2017 and a further £55.9 million in November 2017 for the remainder of 2017-18. The proportion of this that Defra must find from its own resources is still to be confirmed by HM Treasury. For example, Defra has already diverted £7 million from money it had set aside for work related to the EU presidency that it no longer required.

Because the extent of funding from HM Treasury reserves is not expected to be confirmed until January 2018, this has meant some spending decisions by Defra and its arm's-length bodies have had to be taken 'at risk' to keep work streams on track.

In the summer of 2017, Defra estimated the additional funding required for 2018-19 at £178 million, and is currently preparing a bid to HM Treasury for any further funding required for 2018-19, as a more detailed understanding of requirements emerges. In the Autumn Budget 2017, the government announced £3 billion across 2018-19 and 2019-20 for EU Exit funding across government as a whole. Defra and HM Treasury are in discussions about the Department's share of this and decisions are expected in early 2018.

Accounting Officers are responsible for implementing government policies and delivering public services; but they are only able to do so where parliament grants the right to spend resources. Like other departments preparing for EU Exit, Defra may need to spend on planning and early implementation of new services before associated legislation is passed to ensure it is ready in time. For example, where work streams comprise a significant IT element, the Department needs urgently to initiate procurement processes to complete implementation in time. In October 2017, the Chief Secretary to the Treasury made it clear that ministers could issue a technical direction, allowing critical spending to be incurred ahead of Royal Assent to the EU (Withdrawal) Bill being received.

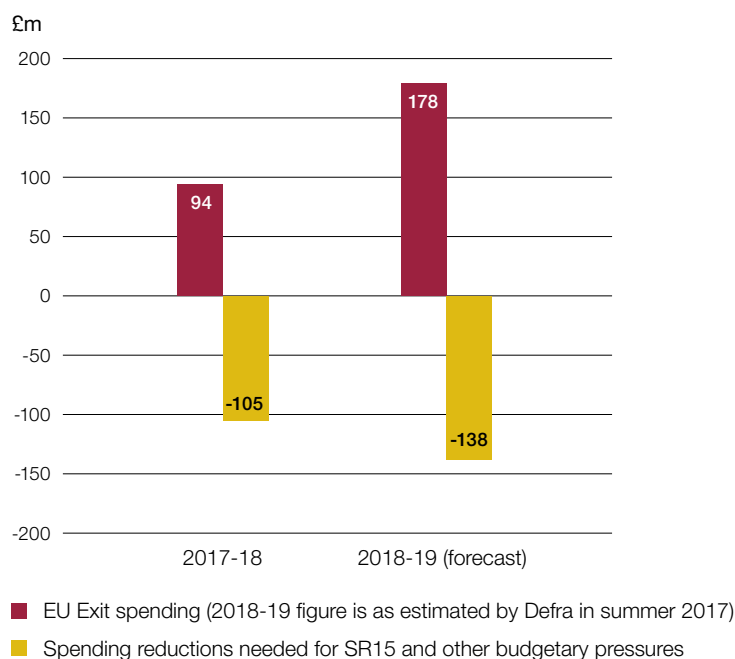
Despite some additional funding from HM Treasury for EU Exit, Defra is still expected to deliver savings

In the 2015 Spending Review (SR15), Defra was asked to make resource savings of 15% in real terms between 2015-16 and 2019-20, within the department and across its group. As a result, the Department's budget was reduced by £72 million in 2017-18 and will be reduced by a further £75 million in 2018-19.

New policy choices and other budgetary pressures mean that Defra needs to seek savings exceeding its net budget reduction in each year. For 2017-18, Defra is aiming to deliver savings of £105 million. In December 2017, Defra was targeting savings of £138 million in 2018-19 through its business planning process. Defra reviews these figures regularly and they could change as plans for 2018-19 develop further.

Defra's original plans to meet its Spending Review targets depended in large part on its Transformation Programme, which has proceeded at a slower pace than anticipated, in part as Defra diverts effort into EU Exit. Defra is now pursuing other means of delivering these savings.

Additional EU Exit spending compared with Defra's targeted savings



Note

- The figure for EU Exit spending in 2018-19 is Defra's indicative estimate of the minimum spend that will be required.

Source: National Audit Office analysis of Defra data

Defra has de-prioritised work in some areas to accommodate EU Exit activity

Defra has to balance its EU Exit portfolio with a substantial and pressing domestic policy agenda, including maintaining the UK's resilience to floods, animal and plant diseases and other environmental crises, and supporting the growth of a sustainable green economy.

The scale of its EU Exit programme, alongside maintaining business as usual and delivering budget reductions, means that Defra is under significant pressure and, in its August 2017 strategic risk register, recorded that individual workloads at all levels have increased markedly as a result of EU Exit, putting pressure on its organisational resilience.

Defra has reviewed its ICT portfolio. In August 2017, the Executive Committee approved proposals for prioritisation of its ICT programmes, including postponing the creation of a centralised customer contact hub, to enable delivery of EU Exit and deliver the savings required. It has also, as part of its current business planning process, started to systematically review Defra Group's workload across EU Exit and business as usual to establish which areas of its work can be stopped, slowed down or reduced in scope.

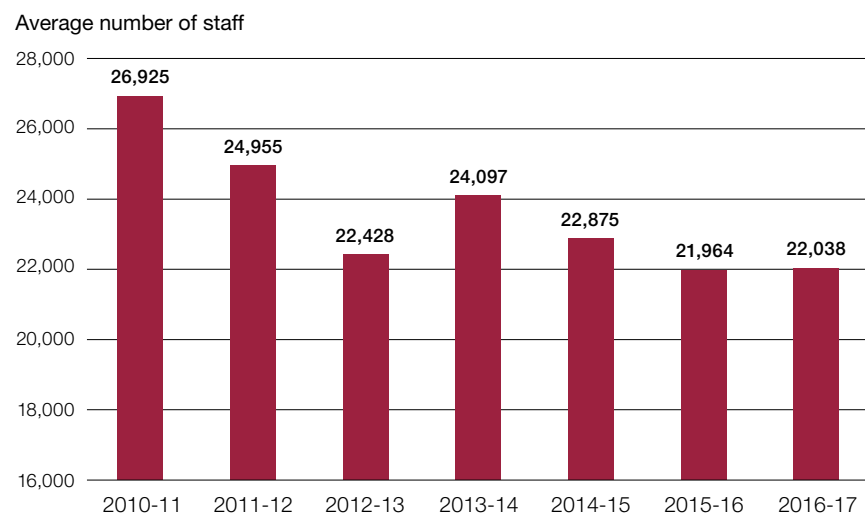
In light of the pressures on parliamentary time (resulting from the volume of legislation required for EU Exit), Defra's legislative programme has also been through a prioritisation process. Any proposals for additional statutory instruments (SIs) are assessed against Defra's priorities and Defra currently estimates that it will be able to reduce the number of 'business as usual' SIs in the 12 months leading up to EU Exit to around 40, half the number required in a normal year.

Although Defra has been successful in expanding its workforce, maintaining sufficient resources across the Defra Group is a challenge. There is a risk that staff will be under increasing pressure as they take on additional EU Exit work alongside their 'business as usual' roles, and have to deliver efficiency savings at the same time. In addition, Defra and its delivery bodies will, in many cases, have to back-fill the posts left vacant where existing staff have been transferred into EU Exit work. This is necessary to prevent those left behind having to take on additional work to cover the vacancies that are created as a result.

After years of staff reductions, Defra has recruited new staff to meet the additional requirements of EU Exit

By 30 November 2017, Defra had successfully filled 650 full-time equivalent (FTE) EU Exit vacancies with a further 150 posts appointed but not yet in post. Defra has approximately 400 further FTE vacancies to fill by the end of March 2018 taking its total requirement for 2017-18 to 1,200.⁴ This represents a significant shift because, since 2010-11, Defra's total staff numbers have declined by 18% or almost 5,000 staff.

Average number of staff employed 2010-11 to 2016-17 (Defra Group)



Source: Defra Annual Report and Accounts 2012-13 to 2016-17

Posts have been filled through a mix of redeployment from across the Defra Group, secondments from across government, external recruitment campaigns and short-term temporary appointments. In addition, Defra has relied heavily on external consultants to make progress with EU Exit planning.

Defra is also working with Civil Service HR (CSHR) who have established an EU Exit Co-ordination group. This group aims to facilitate EU Exit resourcing by sharing reserve pools across government and facilitating the allocation of experienced policy staff loaned from non-EU Exit affected departments.

The majority of EU Exit posts to date are within the core department with a smaller number across Defra's arm's-length bodies. The biggest increases have been in roles related to food and farming policy and roles within the Department's central Strategy Directorate and its Programme Management Office. In some instances, to maintain momentum on key work streams, the Department and its arm's-length bodies have recruited staff 'at risk' before confirmation from HM Treasury that additional funds would be made available.

⁴ This figure includes fixed term appointees and interims, but excludes digital staff as the majority of these posts are likely to be procured services.

Defra is under significant strain and recruitment will become increasingly challenging

Recruitment is expected to become more challenging as competition for skilled staff increases across government and the private sector. The Programme Management Office has identified a need for 150 additional programme and project management staff for EU Exit and is encountering a highly competitive market for these staff. Defra has also highlighted the need for specialist analytical skills and people with deep policy expertise in particular areas (e.g. chemical regulation) to deliver EU Exit.

The scale of recruitment has inevitably created challenges, putting pressure on Defra's estate and HR services. The Department recognises these challenges and has invested in providing effective induction programmes to help assimilate staff from outside the civil service, and expanded the capacity of its core functions.

The majority of staff for the EU Exit programme have been recruited on fixed term contracts, typically for two years.

Although Defra does not anticipate a further significant increase in staff numbers during 2018-19, its staff costs will nevertheless increase in 2018-19 as the full-year costs of the additional staff brought in during 2017-18 are incurred.

By the date of EU Exit, Defra and its delivery bodies are likely to take on additional responsibilities, for example in the areas of chemicals and pesticides, animal imports and exports and development of agricultural policy, which previously were primarily the responsibility of the EU. This is likely to result in a permanent increase in the Defra Group's headcount, but until Government policy is settled on the future shape of agriculture and fisheries policy, Defra will not be able to determine the extent of its delivery responsibilities and therefore the number of staff required.

Defra is beginning to develop integrated assurance and approval plans for EU Exit work streams

Assurance of Defra's EU Exit programme

For the highest priority work streams, the Department is in the process of developing integrated assurance and approval plans (IAAPs) with support from IPA, DExEU and HM Treasury. As required by HM Treasury for all major projects, these plans should comprise planning, co-ordination and provision of assurance activities and HM Treasury approval points throughout the lifecycle of the work stream.

The Government Internal Audit Agency (GIAA) has established an assurance plan for Defra's EU Exit programme. Implementation of this plan is at an early stage, but it will take a risk-based approach focusing on the effective management of risk, the governance of the programme and effective engagement with stakeholders (within the Department, across government and more widely, including with the devolved administrations).

How Defra is managing its EU Exit programme risk

Defra has developed an EU Exit programme risk register, assigning responsibility for risks to the Senior Responsible Officer for each EU Exit policy stream.

The risk register records mitigating controls and contingency plans. Risks are escalated to the EU Exit Programme Board when they cannot be adequately addressed at a policy stream level or when they require high-level brokering with other departments and/or ministers, or the commitment of substantial resources. Examples include risks related to Defra's capability and capacity to deliver EU Exit, tariff and non-tariff barriers to market access, and the lead-in times needed to be ready in time.

Defra's delivery bodies maintain their own EU Exit risk registers and report the risks identified to core Defra via the policy stream boards. It is the role of the Programme Management Office to ensure that the corporate risk register reflects the full range of risks identified from across Defra's delivery bodies.

Working with others

Defra is working with its arm's-length bodies to deliver EU Exit

Defra has 33 arm's-length bodies (ALBs), responsible for the delivery of many of its policies. Many of the ALBs need to play a key role in EU Exit, helping to shape new policy and taking on new responsibilities in the run-up to and following EU Exit.

As the EU Exit programme progresses, Defra has taken steps to ensure ALBs are integrated into the EU Exit programme and that their operational insight can inform EU Exit planning and policy development:

- ALBs are represented on Defra's EU Exit policy stream programme boards and Defra officials attend ALB EU Exit programme boards where appropriate.
- The Programme Management Office is co-ordinating work stream planning across the Defra Group to ensure consistency.
- Defra and its ALBs are working together flexibly to make the best use of resources, including loans and secondments across the Group.
- Defra has included funds for ALB staff and programme spend in its bids to HM Treasury. The largest increases in ALB headcount in 2017-18 are expected in the Rural Payments Agency and Animal and Plant Health Agency.

Arm's-length body	Some implications of EU Exit
Rural Payments Agency (RPA)	The RPA is responsible for administering the Common Agricultural Policy in England. It will play an important role in designing and delivering a new UK based scheme.
Environment Agency (EA)	The EA will play a key role in ensuring EU environmental regulation is transferred smoothly into domestic law and is operable after EU Exit.
Animal and Plant Health Agency (APHA)	APHA has responsibility to facilitate international trade in animals, products of animal origin, and plants. EU Exit will mean changes in how this is done.
Marine Management Organisation (MMO)	The MMO will play an important role in helping to shape new marine and fisheries policy as well as managing access controls, and monitoring and surveillance of coastal waters.

Defra is also working closely with other government departments

Defra's programme is highly dependent on EU Exit policy in other parts of government, with extensive cross-government collaboration and co-ordination required.

It is working closely with DExEU which is co-ordinating the government's EU Exit programme as a whole.

The scale, complexity and uncertainty of the government's EU Exit programme means departments will need to respond to developments swiftly, adapt plans appropriately, and co-ordinate effectively to deliver a smooth and orderly exit. Defra is working with DExEU to ensure that cross-government reporting and approval processes are streamlined and agile, to make this possible.

Defra's cross-government co-ordination on EU Exit includes working with:

- HM Revenue & Customs and Border Force on customs and border controls;
- the Home Office on migrant EU labour;
- the Department for International Trade on trade relations;
- the Department for Business, Energy & Industrial Strategy on chemical regulation, Euratom and the Emissions Trading System;
- the Department of Health on veterinary medicines, food safety and public health protection; and
- the Health and Safety Executive (HSE) on chemical and pesticide regulation.

In complex areas of policy where responsibility sits across a number of government departments, cross-departmental boards have been created to facilitate co-ordination. Examples include cross-government boards for borders, devolution and legislation. In the area of chemical regulation, Defra is leading cross-departmental co-ordination jointly with the HSE.

Defra is committed to working collaboratively with the devolved administrations too

About 80% of Defra's functions are in devolved areas of policy

Agriculture, fisheries and the environment are all devolved areas of policy. Membership of the EU has, until now, provided a common framework within which the devolved administrations in the UK have the freedom to exercise their own policy discretion. Leaving the EU raises the challenge of agreeing and establishing common UK frameworks to enable the UK to strike trade deals and reduce the risk of internal market disruption caused by, for example, diverging regulatory regimes and funding mechanisms in the agricultural sector.

For Defra, agreeing these frameworks will be critical to their legislative programme and future policy development. Failure to make progress on these issues could adversely impact the Department's ability to deliver its EU Exit programme.

Defra is in regular communication with the devolved administrations and has established a Senior Officials Devolution Group, which includes representation from all three devolved administrations. They have also formed devolved administration working groups, that mirror the structure already established for the Department's EU Exit programme and have established joint Defra/devolved administration reporting on relevant work streams.

Defra has a governance structure designed to deliver effective engagement with the devolved administrations, but Defra's ability to make progress is dependent on broader negotiation and agreement between the UK government and the devolved administrations on how EU powers in devolved policy areas will be repatriated to the UK. Defra works closely with other departments to exchange information and ensure that Defra's work with the devolved administrations is in line with the UK Government's agreements with them.

Effectively stakeholder engagement is critical to a successful EU Exit

Defra's EU Exit programme will impact on its customers, businesses and the wider public and it recognises the critical importance of engaging with stakeholders to deliver a 'smooth and orderly exit' from the EU and to avoid damage to its own reputation.

Defra aims to listen to stakeholder groups to ensure that their views inform its EU Exit preparations and future policy plans. However, the extent of engagement has been limited because of the sensitivity of the negotiations and the uncertainty of their outcome.

As EU Exit negotiations progress and future policy options become clearer, effective stakeholder engagement will be critical, not only in informing detailed policy design; but also in providing customers, businesses and the wider public with the clarity they need to prepare for EU Exit.

Industry in particular, will need time to prepare for changes as a result of leaving the EU but, in many areas for which Defra is responsible, there remains uncertainty at this stage on what they need to do to be ready in time for EU Exit. For example:

- The agricultural sector will need to adapt to a new system for agricultural support to replace the Common Agricultural Policy.
- The chemical industry may need to accommodate the EU market access issues of the UK being outside REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and the implications of a parallel UK regulatory regime.
- The agri-food sector may need to adapt to changes in import and export requirements for animals and products of animal origin.

Consultation and communication with key stakeholders on major policies like these is critical to ensuring that industry will be ready for EU Exit, avoiding damage to the economy and maximising opportunities for innovative policy solutions.

Appendix One

NAO programme of work and publications

NAO's programme of work on preparations for exiting the EU

In scrutinising public spending the National Audit Office (NAO) routinely monitors the challenges faced by departments and, where the Comptroller & Auditor General identifies a pressing or relevant issue, reports on those to Parliament

Leaving the European Union will be a historic moment for the UK, and one that will have a very significant impact across the public sector. As with other aspects of government activity, it is not for the NAO to comment on the policy choices being made in relation to exiting the EU. But the management systems that support the implementation of these policies fall naturally within the NAO's remit.

The NAO has an ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This covers the key bodies in the centre of government and the major spending departments that have to deliver Exit programmes.

Out of this work, we are publishing a series of reports to provide insight on aspects of government's preparedness for exiting the EU.

Recent NAO publications relevant to the UK exiting the European Union

Implementing the UK's exit from the European Union – People and skills: The role of the centre of government (December 2017)

Implementing the UK's exit from the European Union: The Department for Business, Energy & Industrial Strategy (November 2017)

Implementing the UK's exit from the European Union: The Infrastructure and Projects Authority (November 2017)

Implementing the UK's exit from the European Union: The Department for Exiting the EU and the centre of government (November 2017)

The UK Border (October 2017)

Customs Declaration Service (July 2017)

HM Treasury's economic analysis in the lead-up to the referendum on European Union membership (June 2017)

Capability in the Civil Service (March 2017)

Briefing on the EU-UK finances (December 2016)

These reports are available on the NAO website: www.nao.org.uk/search/pi_area/european-union/type/report

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