National Audit Office

Report
by the Comptroller
and Auditor General

Implementing the UK's exit from the European Union

The Department for International Trade

HC 713 SESSION 2017–2019 25 JANUARY 2018

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The Department for International Trade

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

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The Department for International Trade (DIT) was established in July 2016 in response to the UK's decision to exit the European Union. DIT's aim is to secure UK and global prosperity by promoting and financing international trade and investment and championing free trade.

In this publication we set out how DIT is preparing deliver an effective 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.

Contents

The National Audit Office study team consisted of:
Elizabeth Livingstone and Nigel Vinson, under the direction of Keith Davis.

This report can be found on the National Audit Office website at www.nao.org.uk

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Enquiries: www.nao.org.uk/contact-us

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

July 2016

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

3,745

staff employed by DIT in October 2017

108

the number of overseas countries in which DIT staff are located

£364.2m

DIT's budget for 2016-17

8

number of EU Exit work streams, as at December 2017, that DIT is responsible for. For example, post-EU membership of the World Trade Organisation

9

the number of overseas regions, led by trade commissioners to provide a greater focus on trade

£79.4m

additional funding provided in 2016 Autumn Statement to fund the establishment of DIT up to 2019-20

Over £25m

additional funding agreed with HM Treasury for DIT EU Exit work in 2017-18

Summary

The Department for International Trade (DIT) was formed in July 2016, in response to the EU referendum result. It has overall responsibility for promoting British trade across the world, including preparing for and then negotiating Free Trade Agreements and market access deals with non-EU countries. The Department for Exiting the EU (DExEU) is responsible for negotiating the UK's trade agreement with the EU, with DIT input.

The scale of DIT's task:

- DIT's work to prepare for EU Exit sits within its wider work to develop a new trade and investment policy for the UK, including Free Trade Agreements; developing the trade profession for government; and developing new Export and Inward Investment strategies.
- DIT is responsible for eight of the 313 work streams identified by DExEU across government. These include planning for the UK's independent membership of the World Trade Organisation and the Government Procurement Framework and setting up a trade remedies organisation and a trade disputes framework.
- DIT has worked with a wide range of stakeholders, both within government and with the devolved administrations, English regions and the private sector in developing the framework for future trade agreements.
- DIT's legislative programme includes trade issues covered in the EU Withdrawal Bill, the Sanctions Bill, the Trade Bill and the Taxation (Cross Border Trade) Bill, all of which have been introduced in Parliament. Other legislation is being planned.
- This legislative programme is vulnerable to risks that are outside DIT's control, such as competing demands across government and other departments delivering what is required.
- Alongside planning and delivery for EU Exit, DIT has had to establish itself as a new department. UK Export Finance remains a separate body, although it also reports to DIT's Permanent Secretary. DIT has continued to develop an operating model and governance framework, recruiting staff and agreeing resource requirements with HM Treasury.

In setting about its task and working with others, DIT has:

- developed critical paths for seven of its eight EU Exit work streams, with the eighth expected to be developed in January 2018. The plans prepare for two possible EU Exit scenarios – a negotiated outcome with transition period and a ‘no deal’ outcome. Delivery of the work streams will be challenging and DIT has put back some of its delivery milestones as the timetable for legislation and the overall negotiation process has moved on;

- received two tranches of additional funding, up to the end of December 2017, totalling over £25 million, specifically for EU Exit work in DIT. DIT is in discussions with HM Treasury around its resource requirements for 2018-19 as part of the process for allocating the additional funding for EU Exit that the Chancellor announced in the 2017 Autumn Budget;

- begun the challenging task of growing its trade expertise, including recruiting internationally. For example, DIT It has recruited a ‘rules of origin’ expert from Australia, and the Second Permanent Secretary has been recruited from New Zealand as the Chief Trade Negotiator;

- examined other national trade structures, to understand better the UK’s capability and capacity requirements. The UK spoke to other countries to better gauge how much capability and skills would be required to conduct any future Free Trade Agreement (FTA), including how many FTAs the UK should have the ability to conduct at the same time;

- identified areas where DIT can reduce some activities in order to focus more effort on EU Exit work. Previous performance data was not designed to inform decision-making around resource prioritisation, and have proved insufficient to allow DIT to systematically prioritise its forward investment plans. However, DIT has begun to build an evidence base, which should allow it in future to take a more evidence-based approach to trade and investment decision-making;

- incorporated into its 2018-19 business planning a greater focus on activities that will best balance the return for the UK across the short, medium and long term. This may mean freeing up capacity from traditional activity to focus on areas that will have a longer-term impact; and,

- defined its requirements to work effectively with other government departments; for example, with the Department for Environment, Food & Rural Affairs on the trade of food, animal and plant products.

Scope

The scope of this report in relation to DIT's EU Exit responsibilities

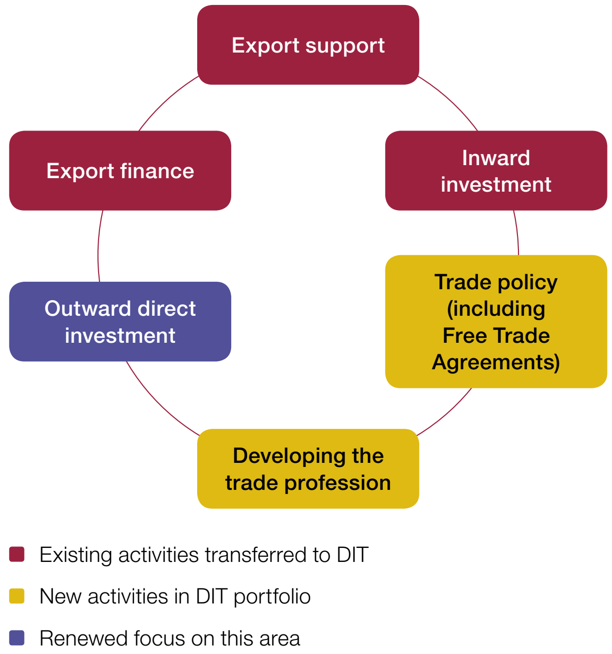
DIT was formed in July 2016, in response to the EU referendum result. It has brought together existing export and investment capability within government and added two new functions:

- developing and delivering a new trade and investment policy for the UK, including Free Trade Agreements; and,
- developing a trade profession and capability for government.

DIT's challenge for EU Exit is different to other government departments in that it has to balance the shorter-term aims of preparing for the point at which the UK leaves the EU with the longer-term aims of planning for and then negotiating Free Trade Agreements once the UK has left the EU.

In this report, as for our equivalent reports on other departments, we cover what DIT is doing to prepare for the point of exit. However we also include broader material on how it is setting about its task in relation to the two new longer-term elements in its portfolio (trade policy and developing the trade profession) because these relate directly to EU Exit.

DIT's existing and new functions



The scale of the task

DIT is a new government department

DIT brought together the UK's export and investment capabilities on trade policy, trade support, investment and export finance from:

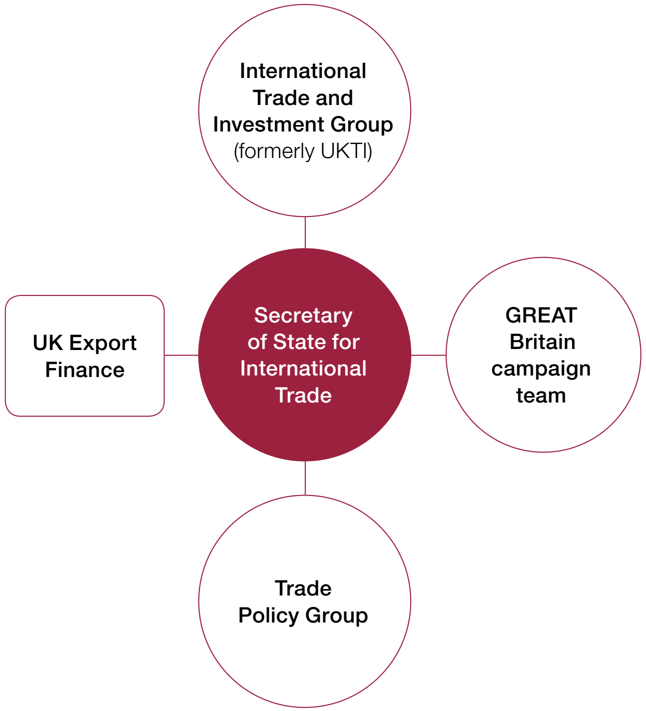
- UK Trade and Investment (UKTI)
- the Trade Policy team
- the GREAT Britain campaign
- UK Export Finance (UKEF).

UKEF remains a separate government department with its own governance structures. However, it reports directly to DIT's Permanent Secretary, is part of DIT's strategy and operations, and is represented on DIT's top level governance, including the Departmental Board and Executive Committee.

In addition, DIT is responsible for:

- Developing, coordinating and delivering a new trade and investment policy for the UK, including preparing for and then negotiating Free Trade Agreements and market access barriers with non-EU countries.
- Securing continuity in the effect of existing EU Free Trade Agreements and other EU preferential arrangements.
- Developing the trade profession within government.

UK export and investment capabilities reporting to the Secretary of State for International Trade



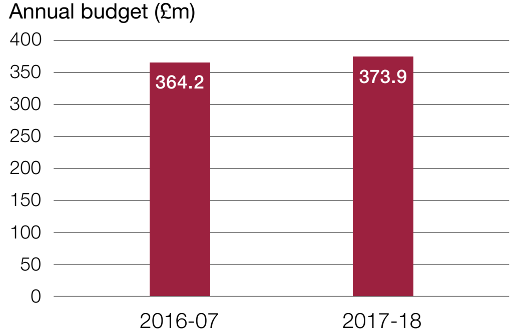
DIT has grown rapidly in its first 18 months

DIT's budget for 2017-18 is £373.9m, a 2.7% increase on its 2016-17 budget. This is to meet 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.

DIT has:

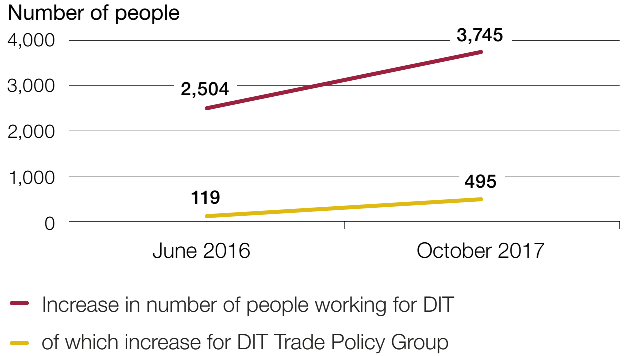
- Grown from 2,504 staff to 3,745 staff; and the Trade Policy Group, within DIT, grew from 119 staff to 495 staff by October 2017.
- Appointed a Second Permanent Secretary, who will also lead the government trade profession.
- Developed the trade and negotiation faculty, which is part of the FCO Diplomatic Academy. The FCO's Diplomatic Academy offers learning and development opportunities to government staff in 12 areas of international work. The trade and negotiation faculty currently offers courses at foundation and practitioner level, and is developing expert level courses.
- Developed an inward investment strategy and is developing an export strategy.
- Reviewed its overseas trade network. As a result of the review:
  - DIT will reorganise the overseas network (DIT currently has offices in 108 countries) into 9 regions each headed by a trade commissioner. These HM Trade Commissioners will be expected to provide vision and direction to DIT's global operations, including providing intelligence on the ground, deciding what tailored action is required in their region, and playing a role in developing future global trading relationships.
  - The regions are: South Asia, China, Middle East, Asia Pacific, Africa, Eastern Europe and Central Asia, Europe, North America and Latin America.
  - Each region will develop its own Regional Trade Plan.

DIT annual budget



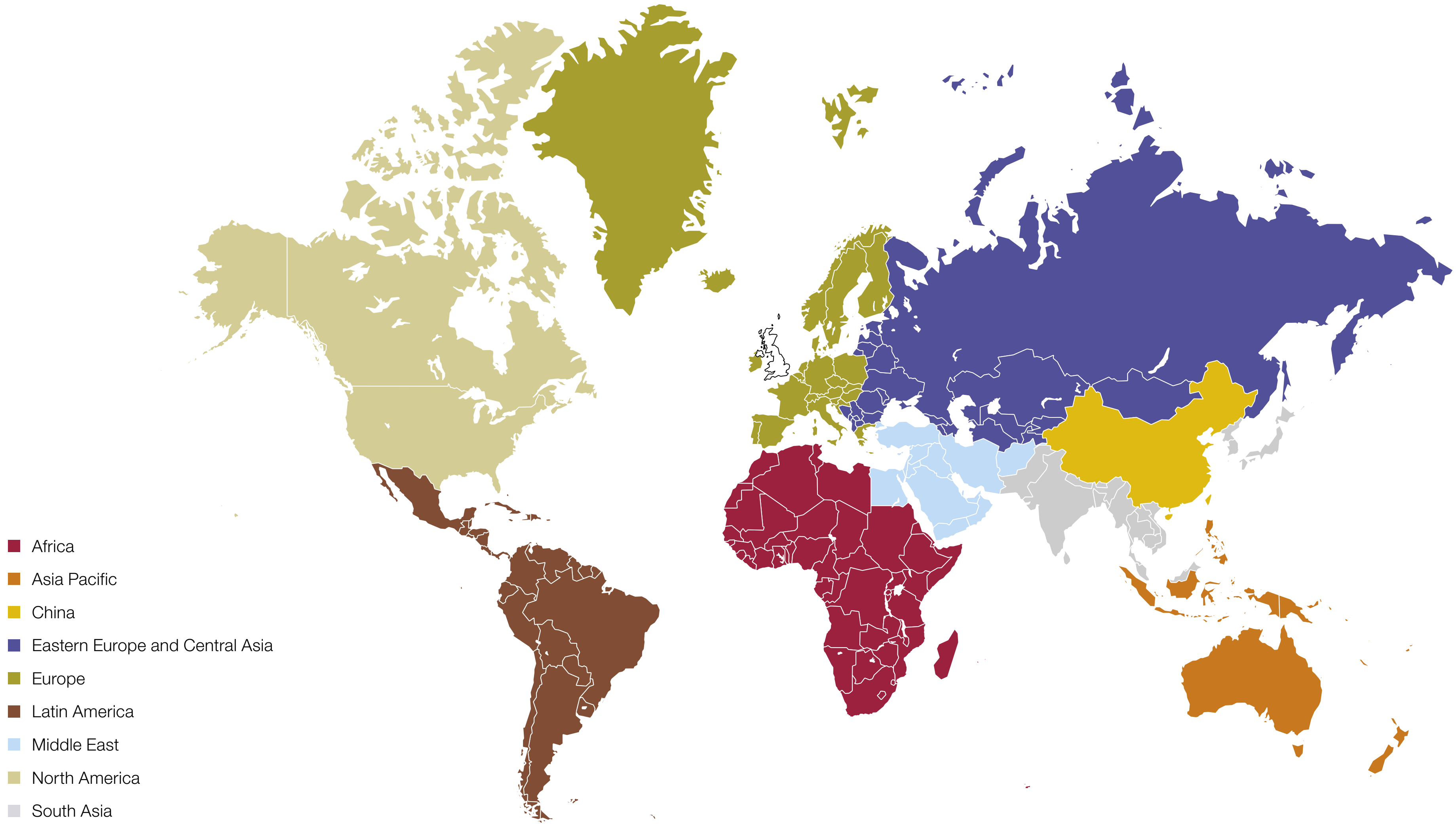
Source: Department of International Trade annual report and accounts, 2016-17

Increase in number of people working for DIT



Source: Department of International Trade

DIT's nine regional trade areas



DIT leads on developing trading frameworks after EU Exit

DIT is responsible for establishing the best trading framework for the UK to maximise trade and investment after EU Exit. The Trade Policy Group (TPG), in DIT, is responsible for delivering this objective as well as coordinating the eight EU Exit work streams that DIT leads on.

On 2 February 2017, the government published its white paper (*The United Kingdom's exit from and new partnership with the European Union*) setting out the 12 priorities underpinning its approach to the EU Exit process. One of the 12 priorities concerned securing new trade agreements with other countries.

On 9 October the government published a follow up white paper, *Preparing for our future UK trade policy*, which outlined the UK's approach to developing the UK's future trade policy after the UK leaves the EU.

The white paper sets out DIT aims, principles and the key components of DIT's developing approach, as well as some specific initial steps DIT will be taking in legislation to be introduced before the end of 2017 as part of domestic preparations for exit.

The key components of DIT's developing approach are:

- Trade that is transparent and inclusive.
- Supporting a rules based global trading environment.
- Boosting trade relationships.
- Supporting developing countries to reduce poverty.
- Ensuring a level playing field.

Legislation

The legislation being introduced includes the:

- Trade Bill, which was published in November 2017;
- Taxation, (Cross Border Trade) Bill (led by HM Treasury), which was published in November 2017; and,
- Sanctions Bill (led by FCO).
- The EU (Withdrawal) Bill is currently being debated by Parliament. This repeals the European Communities Act 1972 and makes other provisions in connection with the withdrawal of the UK from the EU. This will then enable to UK to set up an independent trade regime as set out in the Trade Bill.

There is a stakeholder plan for each piece of legislation, including working with the devolved administrations.

DIT shares responsibility for different aspects of EU Exit trade negotiations with other government departments

Department	Responsibilities in EU trade negotiations
DExEU	DExEU is the lead department in trade negotiations with the EU.
DIT	DIT leads on trade negotiations outside the EU – an important factor into the EU negotiating strategy. It provides policy, analytical and legal input into the trade policy elements of the EU Exit negotiations, including providing support in trade negotiations and future economic partnerships on trade in goods, services, tariffs and non-tariff barriers. It also provides intelligence on trade and investment attitudes from its overseas networks into the EU trade negotiations.
FCO	The FCO provides intelligence and expertise from its overseas network on EU countries trade positions and any intelligence on negotiating stances.
BEIS	Provides support in trade negotiations and future economic partnerships on trade in goods, services, tariffs and non-tariff barriers.
Individual government departments	Individual government departments and agencies provide the trade and sector expertise on individual elements of the trade framework. For example, Defra would provide specific expertise in the agriculture, food and fisheries elements of the trade negotiation.

DIT’s EU Exit work streams include some complex challenges

DIT’s EU Exit work streams are one part of its wider plans for developing trade

DIT’s work to ensure the UK is ready for the point of EU Exit sits within its wider plans to develop a new trade and investment policy for the UK and to develop the trade profession for government.

DIT is currently leading eight of the 313 EU Exit work streams identified by DExEU across government. These are:

- Post-EU membership of the World Trade Organisation (WTO);
- WTO Government Procurement Agreement;
- EU Free Trade Agreements and Economic Partnership Agreements (part of the DExEU international agreements programme);
- Unilateral preferences;
- New Free Trade Agreements;
- Trade remedies;
- Trade disputes; and
- Export control regulation and policy.

DIT’s work extends beyond these. For example, continuity of other plurilateral agreements and trade for development, as well as DIT having a strong interest in work streams led by other government departments such as trade diplomacy, sanctions, customs and tariffs and financial services.

DIT’s task for the eight work streams involves planning for different scenarios and introducing new legislation

In preparation for EU Exit, DExEU asked that departments for each of their EU Exit related work streams should:

- develop preferred negotiation positions and contingency options for a ‘no deal’ scenario, assessing each option in terms of legislation required, funding and delivery plans;
- formulate primary and secondary legislation to ensure a functional legal framework is in place after EU Exit as required;
- implement the domestic consequences of EU Exit, which could include setting up new regulators.

Some work streams are complex and will require significant time and expertise to implement new capabilities to replace those currently administered by the EU. An example is the WTO Government Procurement Agreement. Procurement in the UK is an area of responsibility of the devolved administrations. Therefore as well as developing a new agreement for the UK that complies with multilateral rules, DIT will need to work with the devolved administrations to ensure coherent public procurement law and policy.

In November 2017, DIT submitted its first piece of primary legislation to Parliament – the Trade Bill – which will establish the framework for the UK to operate its own trade policy.

How DIT has set about its task

Cross-government structure on trade policy

Trade policy governance structure as at December 2017

EU Exit & Trade Committee (EUXT)

1
- **Domestic Preparedness, Legislation and Devolution sub-committee (EUXTDPLD)**
- **International Trade sub-committee (EUXTT)**
- **Strategy and Negotiations sub-committee (EUXTSN)**
- **European Affairs sub-committee (EUXTE)**

2
- **Domestic Preparedness, Legislation and Devolution sub-committee (EUXTDPLD)** (Officials Group)
- **International Trade sub-committee (EUXTT)** (Officials Group)
- **Strategy and Negotiations sub-committee (EUXTSN)** (Officials Group)

Below this, the Trade sub-committee is supported by a number of **cross-government official level consultation, delivery or project groups** on cross cutting issues.

DIT also rely on a number of **DExEU led governance and policy forums**, such as the International Agreements Group.

Underpinning all of these structures are a range of cross-government policy working groups focusing on specific issues such as sustainability or trade disputes/market access.

1 Cross-government governance structure on trade policy cascades down from the EU Exit & Trade Committee and four sub-committees, all of which are attended by DIT's Secretary of State. Two of these sub-committees cover international trade: EUXTT sub-committee's terms of reference cover issues relating to trade with non-EU countries; EUXTE sub-committee's terms of reference cover EU trade issues relating to the UK's EU membership.

The EUXTDPLD sub-committee's terms of reference are to oversee domestic policy preparation and implementation for the UK's withdrawal from the EU. The EUXTSN sub-committee's terms of reference are to oversee the negotiations on the UK's withdrawal from, and future relationship with, the EU.

2 The Cabinet Office chairs the EUXDPLD and EUXTT officials group committees. DExEU chairs EUXTSN sub-committee officials group. The DIT Permanent Secretary and Director General Trade Policy attend all these sub-committees. These are the primary cross-government decision making forums on Trade Policy.

Governance structures within DIT

DIT's overall governance structure

- **Departmental Board**
  Chaired by Secretary of State
  - **Nominations and Governance Committee**
    Chaired by Lead Non-Exec
  - **Audit Risk & Assurance Committee**
    Chaired by Lead Non-Exec
- **Executive Committee**
  Chaired by Permanent Secretary
  - **Performance, Finance and Risk Committee**
    Chaired by Chief Operating Officer
  - **People Committee**
    Chaired by HR Director
  - **Projects and Change Committee**
    Chaired by Chief Operating Officer

Trade Policy Group internal governance structure

The Trade Policy Group (TPG), within DIT, coordinates the eight DIT EU Exit work streams.

After a review in March 2017, by the Infrastructure and Projects Authority (IPA), TPG's work has been structured into defined programmes and projects with respective working level governance. This is being implemented between October 2017 and January 2018.

The IPA review found that the existing TPG governance structure did not 'dock' into the evolving DIT governance structure and that TPG needed to better align its policy and delivery strategies. From December 2017, TPG aligned its programme and project governance with the new Projects and Change Committee and will sit within a defined Departmental EU Exit Portfolio.

DExEU has issued guidance on the implementation of delivery plans for EU Exit work streams

DExEU expects delivery plans to be in place for each EU Exit work stream

DExEU provided guidance in the spring and autumn of 2017, setting out the responsibilities of departments in the implementation of EU Exit.

When preparing their delivery plans, departments must consult devolved administrations, other government departments that share a policy interest, and partner organisations where relevant.

Delivery plans should include:

- critical paths;
- legislative requirements;
- spending and capability and capacity requirements;
- devolution impacts; and,
- stakeholder handling plans.

DExEU ran two ‘stocktake’ exercises during 2017 to examine departments’ delivery plans

The stocktake exercises in the spring and autumn 2017 were designed to examine departments’ readiness for EU Exit, agree prioritisation issues, identify any barriers to progress and the actions needed to address them.

Each department was asked to look across its work streams and provide detail on progress, including:

- readiness to deliver;
- legislation required;
- costs associated with changes; and,
- additional headcount needs.

The autumn stocktake also looked at cross-cutting issues such as borders, regulation, digital and EU funded programmes.

DIT is implementing DExEU's guidance on delivery plans

DIT is implementing DExEU guidance on EU Exit delivery plans

DExEU's delivery plan guidance required departments to formulate delivery plans to support a preferred negotiation (or 'day one deal') or a 'no deal' outcome for each EU Exit work stream.

However, under either scenario, DIT will need to be ready by March 2019 to operate an independent trade policy, including conducting trade negotiations with other countries.

Therefore, in coordination with DExEU, DIT has built its scenario planning around:

- a day one deal (or no deal) – meaning that the UK is able to start negotiating free trade details with countries outside the EU; or
- an implementation period.

DIT is currently developing a single delivery plan to support its EU Exit work streams

In consultation with DExEU, DIT is currently managing its EU Exit work streams through a single delivery plan. This also includes a single stakeholder engagement plan, which applies across all EU Exit work streams.

The eight EU Exit work streams are managed by TPG in DIT, but draw upon wider Departmental resources to address all aspects of EU Exit work.

DIT has developed most of its critical paths, but has needed to adjust some of its early delivery milestones

Critical paths provide a high level view of what needs to be done, by when.

They include:

- dates by which key decisions need to be made;
- the timing of legislation, and if there is a dependency on other legislation such as the EU (Withdrawal) Bill; and,
- interdependencies with the work of other departments.

DIT has developed critical paths for seven of its eight EU Exit work streams.

DIT has developed critical paths for seven of its eight EU Exit work streams.

The eighth critical path is still in development. In agreement with DExEU it has been treated as a lower priority work stream. It is expected to be developed in January 2018.

Having identified where DIT's work streams impact on the work of other government departments, DIT is now working with DExEU to analyse the actual impact of those interdependencies.

DIT has put back some of its delivery milestones.

Delivery of the work streams will be challenging and DIT has put back some of its delivery milestones as the timetable for legislation and the overall negotiation process has moved on. While DIT continues to plan for successful delivery on the key scenarios, uncertainty around the nature of the UK's future relationship with the EU and any implementation period mean that it needs to be flexible and keep its plans under review.

DIT has begun to identify its capability requirements and assess how its current workforce fits against these

Skills requirements

DIT has defined some of its requirements for additional training and specialist skills. For example, skills such as trade expertise have not been required in the UK civil service for more than 40 years.

DIT has also examined the trade structures of a number of other countries to inform its evidence base for the shape, size and capability of its trade department. DIT specifically engaged WTO members, Australia, New Zealand, The United States of America, Canada and the EU, for example, on issues such as how many Free Trade Agreements the UK should have the capacity to be able to conduct concurrently.

However, DIT has not yet defined the range of capabilities and level of capacity it will require to undertake its role in delivering an independent UK trade function.

Assessing current capability

Following the EU referendum, DIT undertook a skills audit in 2016 which provided an analysis of the strengths and gaps across the required DIT skills in trade policy and negotiations, as well as core skills and expertise such as in project management, commercial and digital capability.

To update the 2016 skills audit, in January 2018, DIT launched a Workforce Capability Assessment, including overseas staff. This will provide a further assessment of the skills and expertise of DIT staff, so that future Assessments can measure the progress DIT is making in filling the gaps in its expertise.

DIT is taking action to recruit and train staff but meeting the requirements in full will be difficult

To date, most of the existing staff and skills growth in DIT has come from within the civil service, as many departmental functions are similar to those across the rest of government; for example, human resources, finance.

DIT's expansion has been in three stages:

- growth of Trade Policy Group to design and develop an independent national trade policy for the UK;
- establishment of a strategy and international & national security directorate to support ministers in setting strategy for the department and directing the international network; and,
- building of corporate functions to ensure DIT is able to operate as a department with the right systems, controls, governance, infrastructure, capability, data etc.

Developing specialist trade skills will be particularly challenging

Trade negotiating skills are scarce in departments and DIT is in competition with other departments for finite staffing resources. To help build the requisite skills, DIT and the Foreign & Commonwealth Office have set up a trade faculty within the FCO's Diplomatic Academy.

The civil service model of moving staff every few years is not best suited to building deep sector-specific skills, such as in trade and negotiations skills. Like many specialist areas (for example, cyber security) there will be a premium on recruiting/retaining staff from outside the civil service. This will determine the success or otherwise of the trade profession, particularly in the short term before a sustainable cadre of expertise can be established

DIT has recruited internationally, where the skills do not reside in the UK. For example, DIT has recruited a 'rules of origin' expert from Australia, and the Second Permanent Secretary has been recruited from New Zealand as the Chief Trade Negotiator.

The latter will also lead on setting up a Whitehall trade profession. Considerable work will need to be done to build skills that have not existed in government for a generation.

DIT has received additional funding for EU Exit

HM Treasury expects departments, as far as possible, to live within their existing budgets in preparing for EU Exit. Where this has not been possible departments have bid to HM Treasury for additional funds.

DIT received funding in the 2016 Autumn Statement covering trade policy capability, including machinery of government changes necessary to establish DIT. This amounted to £79.4 million up to 2019-20.

Departments have been able to bid for extra resources for 2017-18 and 2018-19. 2017-18 bids have been placed in two tranches: in summer and autumn 2017.

For 2017-18, HM Treasury has agreed over £25 million of additional funding for DIT EU Exit work. This consists of over £20 million for administration costs; and over £5 million for capital and £0.5 million for programme funds.

Funds will be made available subject to need through a claim on the Reserve and will be received by DIT when the Supplementary Estimates are finalised in January/early February 2018.

In September 2017, DIT submitted another business case to HM Treasury to request supplementary funding – in addition to its core budget – for 2018-19. DIT is in discussions with HM Treasury around its resource requirements for 2018-19 as part of the process for allocating the additional funding for EU Exit that the Chancellor announced in the 2017 Autumn Budget.

While DIT continues to plan for successful delivery on the key scenarios, uncertainty around the nature of the UK's future relationship with the EU and any implementation period mean that it needs to be flexible and keep its plans under review. As yet there is no final cost associated with DIT's role in EU Exit.

DIT has more to do to build a performance and risk reporting system and develop an assurance plan

DIT has identified risks to its EU Exit portfolio

To date, DIT's EU Exit risks are captured within its departmental risk process.

DIT is currently assessing whether there is a broader impact associated with EU Exit beyond the remit of the Trade Policy Group, which is primarily responsible in DIT for delivery of EU Exit work.

This may result in an expansion of the scope of the existing risk register.

DIT continues to refine its performance indicators

Performance indicators against the current EU Exit work streams are in development and focus largely on progress against milestones and the set-up of the necessary infrastructure; for example, information technology, a functioning operating model and a trade remedies organisation.

More refined measures of performance are being developed, to better understand the full impact of the UK's future independent trade policy on businesses, consumers and the economy.

DIT is developing an assurance plan

DIT is developing an Integrated Assurance and Approvals Plan, using best practice guidance from the Cabinet Office.

In November 2017 DIT established a portfolio management function to better manage its change projects and programmes. This should provide business case quality reviews (DIT's 'key-holder' process) and independent assurance reviews, such as health checks, Gateways and Project Assessment Reviews. It will also ensure the necessary approval points, both within DIT but also by Cabinet Office and HM Treasury. For example, the portfolio team will hold TPG and the wider DIT to account for its work on the eight EU Exit work streams.

The first iteration of the assurance plan was considered internally in December 2017, and as a live document will be updated periodically.

DIT continues to adapt the department to build 'One DIT'

DIT's initial priority was to establish a functioning department

Like all departments, DIT must prioritise finite resources on the most important tasks.

The initial task from July 2016 was to establish a functioning department. This meant aligning the Trade Policy Unit, UK Trade & Investment, the GREAT campaign team and UK Export Finance, although the latter remains a separate organisation with its own accounting officer and financial vote by Parliament.

The machinery of government changes that created DIT did not initially, however, optimally align these separate business units to DIT's new objectives. Rather, it brought them together as complete units and merged them into a single organisation.

For example, UK Trade & Investment was integrated whole into DIT and re-named the International Trade & Investment Group.

Building 'One DIT'

DIT has begun to adapt its business units to better fit its objectives. Some progress has already been made on this transformation, known as 'One DIT':

- DIT is to split its overseas network into 9 regions each headed by a Trade Commissioner. Each region will develop its own Regional Trade Plan. This will reposition leadership of overseas activity to an overseas location, rather than all being done from London.
- ITI will be split into two parts, to better focus on DIT's wider mandate on trade, international investment and inward investment.
- UK Export Finance is to locate 20 staff overseas to support DIT staff on export finance issues.

The separate business units that were brought together to form DIT initially kept all their existing trade and other programme. As part of DIT's transformation, these programmes are being reorganised within the department to better align with DIT's objectives.

The *Civil Service People Survey 2017* shows a DIT engagement score of 63%, which is 7% higher than 2016 and 2% above the civil service average. 'Leadership and managing change' rose most significantly, by 18%, to 48%. This may provide some early evidence of the positive impact of 'One DIT'.

DIT has begun to identify where it could prioritise its resources, but requires more evidence before making wider changes

Existing performance data has proved insufficient for DIT to systematically prioritise its resources

The former UK Trade & Investment (UKTI) was a delivery body working with businesses based in the United Kingdom to assist their success in international markets, and with overseas investors looking to the UK as an investment destination.

UKTI however, had a more limited function, including lacking a trade policy capability, and its performance data was not designed to support the full range of DIT's objectives.

DIT is beginning to prioritise its investment decisions

As part of the merger of UKTI into DIT, the new department has begun to build an evidence base, which should allow it to take a more systematic approach to trade and investment decision-making in future.

DIT's business planning process for 2018-19 aims to place greater focus on those activities that will best balance the return for the UK across the short, medium and long term. This may mean freeing up capacity from traditional activity to focus on areas that will have a longer term impact.

In particular, DIT intends to:

- better align spend across the whole department to support the Regional Trade Plans;
- devolve more budget responsibility to overseas regions. For next year, this will mean more control of marketing and UK based people budgets;
- develop a new performance measurement framework with a wider range of indicators to reflect the breadth and complexity of DIT's work; and,
- across the organisation, improve efficiency and effectiveness by prioritising efforts to ensure value for money can be demonstrated in all DIT do.

To better understand the role government can play in supporting UK business, DIT has embarked on the Export Strategy Review. This is designed to work closely with business and across government, to identify the barriers to exporting and identify the best way in which government can drive and support UK companies to increase exporting activity.

In the coming months DIT will work with business to understand the challenges faced by exporters, increase awareness of export support and finance that is already available, and explore how this can improved.

Working with others

DIT has established a number of cross-government working groups

DIT is working with other government departments both on EU Exit trade policy and in developing a trade negotiating capability across government. Extensive cross-government cooperation is required for both tasks. The cross-government Trade Policy Steering Board (TPSB) is DIT's main forum to engage other government departments on trade policy issues.

Cross-government Trade Policy Steering Board

The TPSB is chaired by the Director General Trade Policy Group in DIT.

Its members come from departments and agencies that have an interest in trade. This includes BEIS, Defra, DCMS and others.

Supporting TPSB are a number of cross-government delivery and project oversight groups and working groups – on policy issues such as Intellectual Property, Sustainability, and Trade Disputes/Market Access.

The TPSB is where the overall trade strategy, country engagement priorities and work programme is discussed and agreed with other government departments.

Developing trade negotiating capability

The Whitehall Trade Capability Group aims to support departments on the development of trade negotiating skills and to monitor progress. Its members include all government departments with an interest in trade and also key arm's-length bodies.

The Group's purpose is to ensure that the broad government trade team (DIT plus the relevant departments, agencies and regulators) has the capacity and capability in place at the right time to deliver the UK's trade strategy and priorities.

The capability required in trade negotiations for other parts of government is not just expertise in policy in their particular area. For example, in agriculture, a deep policy knowledge of agriculture, but also a knowledge of agriculture trade and some negotiating experience is required.

DIT expects that around a third of a 100-strong UK free trade agreement negotiating team will be specialists from outside of DIT.

The Group was established in Autumn 2016. It is chaired at Director level and its membership includes HM Treasury, BEIS, Defra and DExEU plus relevant arm's-length bodies.

DIT needs to work with other government departments

DIT works with a number of other departments and agencies on their EU Exit work streams

Examples of DIT working with other departments on trade policies

DIT is consulting with other government departments on developing the model to manage trade disputes and market access barriers. This includes working with BEIS on its market access digital project.

DIT is liaising with other government departments on trade remedies. In particular BEIS, on policy development – given its stakeholders' interest in trade remedies (e.g. steel, chemicals). There is a cross-government remedies group run by DIT, which brings together those departments with an interest in trade remedies.

Examples of DIT dependency on other departments

DIT will depend on other government departments to provide their sector expertise to the Trade Policy team, for example, Defra on the trade of food, animal and plant products for both new and existing trade deals.

DIT depends on HMRC having a customs system in place for day one to enable it to set tariffs.

DIT has many other stakeholder relationships it will need to manage

DIT's EU Exit programme will impact on 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.

Working with the devolved administrations

DIT is working with the devolved administrations in Scotland, Wales and Northern Ireland. For example: to inform trade policy development; developing the trade framework for implementing future trade agreements in the devolved administrations; in developing the various pieces of legislation required to EU Exit such as the Trade Bill; and on procurement issues.

DIT already works with devolved administrations' trade and investment organisations. It has acknowledged that maintaining a constructive relationship with the devolved administrations is crucial in delivering an agenda for the whole of the UK.

Working with the private sector

Through its network of eight International Trade and Investment regional offices in England, DIT aims to work and consult with a wide range of private sector businesses as well as Chambers of Commerce and trade associations. DIT has run regional and sectorial roundtables for business, on issues such as customs, for example.

Working with the English regions

DIT aims to consult with Local Authorities, Local Economic Partnerships and groups like the Northern Powerhouse and Midlands Engine.

DIT has created a Board of Trade to work with regional stakeholders

DIT has reconvened the Board of Trade to engage with regional expertise to ensure that the benefits of free trade are spread more evenly across the country.

The Board is an advisory body, and membership is traditionally restricted to Privy Councillors. This means that the only permanent member of the Board is its President, the Secretary of State for International Trade. The other appointees are advisors to the Board, of which there are 11, being a mix of people from business and politics from across the UK.

It is intended that the Board will meet four times a year and that each meeting will be held in a different part of the UK. This is intended to permit a greater focus on relevant regional issues. The first meeting was held in Bristol in October 2017.

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: The Department for Environment, Food and Rural Affairs (December 2017)

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

Glossary

Key terms

Economic Partnership Agreements (EPA)	Development focused EU free trade agreements with Africa, Caribbean and Pacific countries.
Export control and policy	Strategic export controls and enabling responsible military and dual use exports.
Free Trade Agreements (FTA)	Free trade agreements are a negotiated treaty among two or more countries to form an area among themselves where barriers to trade such as tariffs are substantially eliminated.
Plurilateral trade agreements	An agreement between a group of countries, as opposed to a bilateral agreement between two signatories, or multilateral agreements, with all countries. An example of this would be the Government Procurement Agreement, which is adopted by a sub-set of WTO members.
Trade Dispute	A disagreement between two or more states regarding alleged breaches of international trade agreements or commitments.
Trade Remedies	Measures (usually duties) on imports of unfairly-traded goods, or unforeseen surges of goods, which have been shown to be harming UK industry.
Unilateral Preferences	Where non-reciprocal reductions in tariffs are applied to developing countries.
World Trade Organization (WTO)	Established as an international organisation in 1994, the WTO provides a forum for negotiating global trade rules, and provides mechanisms for monitoring and compliance. The UK is a member – as is the EU.

Key organisations

BEIS	Department for Business, Energy & Industrial Strategy
DCMS	Department for Digital, Culture, Media & Sport
Defra	Department for Environment, Food & Rural Affairs
DExEU	Department for Exiting the EU
DFID	Department for International Development
DH	Department of Health
FCO	Foreign & Commonwealth Office
HMRC	HM Revenue & Customs
HMT	HM Treasury
IPO	Intellectual Property Office
UKGG	The UK Governance Group (UKGG) in the Cabinet Office.
MHRA	The Medicines and Healthcare products Regulatory Agency

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