



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Transport

Implementing the UK's Exit from the European Union

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National Audit Office

Department for Transport

Implementing the UK's Exit from the European Union

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

11 July 2018

This report provides our independent assessment of the Department for Transport's progress in preparing for exiting the European Union (EU).

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Key facts

18 out of 314

EU Exit work streams the Department for Transport is responsible for delivering and reporting progress on to the Department for Exiting the European Union as at June 2018

63

statutory instruments still to be introduced by the Department for Transport by March 2019, on top of 64 business-as-usual statutory instruments, as at April 2018

14

work streams out of the 18 reported to the Department for Exiting the European Union that were on track in March 2018 for delivery of the contingency solution by March 2019. One work stream was not reported on.

52.5

additional full-time equivalent staff needed in 2018-19 to work on EU Exit, on top of 84 existing full-time equivalent staff

100,000 – 7 million

estimated range of the number of International Driving Permits (IDPs) to be issued in the first year in the event of no deal being reached

£180 million

amount the Department for Transport and its arm's-length bodies have estimated they will spend on EU Exit by March 2022

£3.1 million out of £5.6 million

actual HM Treasury funds spent on EU Exit by the Department for Transport in 2017-18, against HM Treasury funds authorised in the Supplementary Estimate

Summary

Introduction

1 In March 2019, the United Kingdom (UK) is set to leave the European Union (EU). The UK government is currently negotiating the terms of the Withdrawal Agreement and the likely form of the future relationship with the EU. In March 2018, the UK government and European Commission published the latest draft text of the Withdrawal Agreement, under which the UK would continue to participate in European programmes and be bound by EU law until the end of 2020. The terms of the Withdrawal Agreement are however dependent on both sides reaching an overall agreement, which is not yet certain. The UK government has instructed departments to make the necessary preparations for a negotiated deal but also to have contingency arrangements in place should they be needed.

2 The Department for Transport's (the Department's) focus is to "create a safe, secure, efficient and reliable transport system that works for the people who depend on it; supporting a strong, productive economy and the jobs and homes people need". In terms of EU Exit, the Department's objectives are to ensure that it is prepared to secure the best possible outcome for transport users and businesses in negotiations, and to help establish a separate, distinct international trade policy for transport in preparation for leaving the EU.



Statement from the Comptroller and Auditor General

The Department for Transport has taken on a significant challenge and has a large portfolio of work that it needs to deliver for EU Exit. This report is intended as an objective document of record about its progress towards "a smooth and orderly exit". I am obliged to point out gaps in the Department's approach and risks to its progress. But I do so while recognising that these are not normal times for the Department or for the government as a whole and acknowledging that it has already achieved a great deal in its preparations for EU Exit.

3 Membership of the EU has had a substantial influence on the market in transport services, the regulation of safety standards and environmental impacts, the development of a trans-European transport infrastructure and relations with countries outside the EU on transport matters. For example, as a member of the EU, the UK is party to EU-negotiated agreements that govern air service arrangements with other EU member states, and with 17 other countries. The Department is seeking:

- to maintain and develop the current levels of transport connectivity between the UK and the EU to underpin the UK's future trading relationship; and
- to continue to collaborate, in certain areas, with the EU and international agencies to maintain critical regulatory arrangements, and to manage transport impacts at the border resulting from any change, for example in customs.

4 To meet its EU Exit objectives, the Department is:

- supporting the government's negotiations on those issues where the Department has a direct interest;
- preparing the necessary primary and secondary legislation; and
- planning for both a 'no deal' scenario and a negotiated settlement for 18 of the 314 work streams (as at June 2018) supporting EU Exit across government.

5 The 18 work streams for which the Department is responsible involve projects to deliver the changes required to the transport system to enable the UK's exit from the EU. They range, for example, from ensuring that arrangements are in place to manage any traffic impacts from changed border arrangements through to making plans for setting new car emissions targets. A summary of the 18 work streams is set out in **Figure 1**.

6 The Department has organised itself for EU Exit alongside its existing directorate structures, which broadly mirror the main modes of transport. Each directorate team, rail, aviation, roads, maritime, and energy, technology and innovation (ETI), is responsible for planning and delivering the work required to be ready for Exit, including working with the Department's arm's-length bodies where their involvement is needed. A central EU Exit team has been set up to coordinate activity across the Department. It includes within it a portfolio management office that works with directorate programme boards to track and escalate issues affecting the programme. The work is overseen by two senior-level department committees dealing with EU Exit: the Portfolio Direction Group and the Portfolio Progress Group. The senior responsible owner for EU Exit is the Director of International and Regulatory Reform.

Figure 1

The 18 work streams for which the Department for Transport is responsible

Mode of transport	Summary of work streams
Aviation	<p>Six work streams covering:</p> <ul style="list-style-type: none"> ● air traffic management systems; ● the air service agreement with the European Union (EU); ● future access to the European Aviation Safety Agency; ● air service agreements with other countries; ● the future of security regimes; and ● UK participation in the EU-wide emissions trading scheme.
Roads	<p>Four work streams covering:</p> <ul style="list-style-type: none"> ● rights for UK private motorists to drive in the EU; ● rights for UK hauliers to carry goods in the EU; ● rights for UK bus and coach companies to carry passengers in the EU; and ● motor insurance and frictionless travel to the Green Card free zone.
Maritime	<p>Two work streams covering:</p> <ul style="list-style-type: none"> ● the Marine Equipment Directive; and ● future access to the European Maritime Safety Agency.
Vehicles	<p>Two work streams covering:</p> <ul style="list-style-type: none"> ● vehicle type approval for manufacturers; and ● emissions and manufacturers' CO₂ targets.
Rail	<p>One work stream covering ongoing recognition of documentation of operators and drivers to support continuation of cross-border rail services.</p>
Cross-cutting	<p>Three work streams covering:</p> <ul style="list-style-type: none"> ● funding for projects in the Connecting Europe Facility, an EU-funding instrument that targets infrastructure investment; ● Operation Stack, the plans to manage traffic congestion on the M20 motorway; and ● transport infrastructure at the border.

Source: National Audit Office analysis of Department for Transport and Department for Exiting the European Union documents

Our report

7 The purpose of this report is to provide information on how the Department is organising itself to support a successful exit from the EU. This involves setting out what the Department has done to prepare for exit. We have not assessed whether the Department has the capacity to carry out all the existing priorities asked of it alongside exit. We provide an assessment of whether the Department's progress is sufficient to meet the scale of the challenge. We have not examined the development of negotiating positions because we consider them to be outside the scope of this report, which focuses on implementation.

8 We have conducted fieldwork across the Department. We have also reviewed specific projects that support six of the Department's work streams in more detail in order to inform our assessment of the quality and progress of the Department's delivery plans (**Figure 2**). We chose these projects to provide insight across the different directorates working on EU Exit and the different challenges the Department must tackle. Our study methods are set out in more detail in Appendices One and Two.

Key findings

Addressing the challenge

9 The Department's programme of work to support EU Exit represents a significant and complex challenge. As well as preparing negotiating positions on issues that impact on a very broad range of its responsibilities, the Department needs to have primary and secondary legislation, and many of the other contingency preparations, completed by March 2019. In doing so, the Department is able to draw on its pre-existing programme and project management expertise. The Department is also continuing with all its pre-referendum priorities, including a number of significant issues such as sponsoring the first phase of High Speed 2 construction, developing proposals to increase airport capacity in the south-east, and managing and letting new rail franchises (paragraphs 1.1 to 1.13, Figure 3).

10 The Department's internal assessments of progress are, in most instances, more cautious than the progress it reports to the Department for Exiting the EU (DExEU). In March 2018, the Department reported to DExEU that the "vast majority" of its work streams, including its contingency preparations, were on track. The Department's detailed assessment for DExEU reported that 14 of its 18 work streams were on track for delivery by March 2019. One work stream, on infrastructure work at the border, was not reported on. Differences between DExEU's reporting framework and that used by the Department contributed to a more positive picture of progress under the DExEU framework. In its internal reporting, the Department monitors progress on 28 EU-exit related areas of work, known as projects, which do not relate straightforwardly to the 18 work streams. In March 2018, none of the 28 projects were rated green. 14 projects rated amber or amber/red in the Department's internal reporting were rated on track in the seven related work streams in the DExEU reporting system. We also found senior committees overseeing exit work in the Department did not do enough to challenge internal work stream and project ratings (paragraphs 2.3 to 2.8).

Figure 2

Summary of work streams reviewed in detail as part of this review

Borders – adjustments to transport infrastructure may be needed depending on the outcome of decisions and negotiations on future border regimes. The Department for Transport (the Department) is working to model the impact of decisions made by other departments, such as requiring more space to carry out customs checks and to support industry to make these adjustments.

Borders: Operation Stack interim solution – at present, Operation Stack manages congestion on the M20 to Dover when ferry or rail services are disrupted. The Department has identified an interim replacement for Operation Stack, called 'Project Brock', which will allow for the flow of traffic in both directions on the M20 using a contraflow on one carriageway while the other is used to queue lorries. The Department intends to have Project Brock in place for 29 March 2019.

Rights for UK motorists to drive in the European Union (EU) – at the moment, UK motorists can drive in the EU with their UK driving license and do not require additional documentation. The Department is working to put in place arrangements in case UK documentation is not recognised in the future. This includes ratification of the 1968 Vienna Convention, which sets out basic international obligations. The Department, working with the Driver and Vehicle Licensing Agency, needs to:

- amend its contract with the Post Office to allow the Post Office to issue International Driving Permits; and
- set up systems to enable certain trailers to be registered for international travel.

Vehicle type approvals for manufacturers – vehicles must meet type approval (covering safety and other standards) before they can be sold in the EU. The Department is working with the Vehicle Certification Agency to prepare for the impact on its workload, and on manufacturers, which will change depending on whether type approvals issued in the UK will be recognised in the EU in future, and whether those issued in the EU will be recognised in the UK.

Air service agreements with other countries – seventeen countries, including the United States, are currently covered by EU negotiated air service agreements. The Department is working to maintain traffic rights to ensure that air services operate to and from these countries.

Future access to the European Maritime Safety Agency (EMSA) – EMSA is an EU agency that helps prepare legislation and assists member states on issues of maritime safety and arrangements to counter pollution. It maintains and provides access to information systems and counter-pollution assets, for example specialist equipment. The Department is working on what future access the UK might have and, if no ongoing access is secured, setting up domestic equivalents for the functions it considers to be critical.

Source: National Audit Office analysis of Department for Transport and the Department for Exiting the European Union documents

11 Inconsistencies between reporting systems make it harder for senior managers in the Department and in the centre of government to gain a consistent picture of progress. The lack of straightforward alignment between the 28 projects reported on internally and the 18 work streams reported to DExEU complicates any interpretation of progress by senior managers in the Department and in the centre of government. This is made more difficult because the Department's reporting system uses a 5-point traffic light scale with different definitions for what constitutes red, amber and green whereas the DExEU system uses a 0-3 rating for 'delivery confidence', and a binary 'yes' or 'no' choice for whether work streams are on or off track (paragraphs 2.9 to 2.11, Figure 4 and Figure 5).

12 The Department has put significant effort into helping to develop the government's negotiating plans and is planning to recruit more people to support the next phase of discussions. The Department estimates that it will need an additional 52.5 full-time equivalent staff on EU Exit, in addition to the 84 people already in place, including to support the negotiation process once the detailed negotiations on the future trade relationship begin. The timing of this phase is uncertain, but could start in October 2018. By the beginning of June 2018, six vacancies had been filled and internal moves or recruitment were in progress for 42 more, leaving 4.5 where the process had yet to start (paragraphs 2.12 to 2.14).

13 The Department laid draft primary legislation to address the contingency scenario before Parliament within a week of its target. In February 2018, the Department introduced the Haulage Permits and Trailer Registration Bill to Parliament. This Bill provides powers intended to address a range of scenarios, including contingency planning, for two separate work streams. Preparing it involved working with both DExEU and parliamentary officials to determine its scope, draft it and introduce it to Parliament. It was an important priority for the Department that it did all this in good time to enable the Bill, if passed, to receive Royal Assent by October 2018 and to allow enough time for Parliament to consider relevant secondary legislation before the end of March 2019 (paragraphs 2.15 to 2.20).

14 The Department has planned, reduced and reprioritised its programme of secondary legislation but the timetable for laying this legislation is now seriously compressed. As at April 2018, the Department had 63 new exit-related statutory instruments (SIs) to draft and get through Parliament by March 2019, as well as 64 required to support business-as-usual requirements. Between December 2017 and May 2018, the planned laying dates for seven of these 63 SIs were brought forward and 38 were moved back. The Department faces the challenge of delivery against uncertainty over the passage of primary legislation required to allow secondary instruments to be laid, continuing uncertainty associated with the negotiations, and evolving processes within government for processing the volume of SIs coming through. For example, the SI to give the UK power to issue its own vehicle type approvals is now under pressure as a knock-on effect of delays in preparing and laying business-as-usual SIs. The Department's legal resources are already stretched on EU Exit and this adds to the challenge of delivery. By April 2018, the Department estimated that it needed an additional 10 full-time equivalent staff on its exit legal work to meet its timetable on top of the 27 full-time equivalent lawyers already in place (paragraphs 2.21 to 2.27 and Figure 6).

15 Our detailed examination of the contingency preparations suggests that considerable work still needs to be completed. In the four work streams we reviewed that required planning for new systems (including new IT systems) and infrastructure that would need to be ready as a contingency for 2019, plans were still being finalised. By mid-June 2018, the situation was as follows:

- At the border, the Department had agreed the scope of, and preferred option for, a temporary solution to manage lorry queueing and traffic flow at Dover, which it has called 'Project Brock'. Highways England has reported that the project has very little room for delay, and that it carries significant risks. Although a contract to undertake work was awarded on 11 May 2018 and detailed engineering plans have been drawn up, operational plans to put it into place were still being developed. The new solution will need to be ready by March 2019. In July 2018, the Department reported to us that it was confident that the project would be delivered on time. Highways England reported that it remained on track to complete the project by March 2019.
- The trailer registration scheme, a new IT system, needs to be built and rolled out so that owners can register their trailers before March 2019. The project had its business case approved in early June 2018 with a planned delivery deadline of December 2018, leaving just 7 months to issue the contract, develop the technical system and undertake user testing.
- The International Driving Permits (IDPs) project had not completed a business case or agreed detailed delivery plans. The Department has asked the Post Office to submit detailed delivery plans, including for the training of staff, so as to be ready to issue IDPs by the end of January 2019. Currently 89 post office branches issue around 100,000 IDPs annually. The Department estimates that this may increase to 4,500 post offices issuing anywhere between 100,000 and 7 million IDPs in the first year should no deal be agreed with the EU. In July 2018, the Department reported to us that it regarded the project as deliverable.
- The Department had identified the European Maritime Safety Agency (EMSA) databases it most needed to replicate, and the subset of four where it would prepare contingency solutions for readiness on 29 March 2019. It had not produced detailed delivery plans or started delivery of any new IT systems that would need to be ready for March 2019, and it was still developing the governance structure for delivery (paragraphs 2.28 to 2.30).

16 The Department has to date not spent all the money allocated to it for EU Exit contingency preparations, reflecting changes to its plans. In December 2017, HM Treasury gave the Department authority to spend £19.55 million on exit work by 31 March 2018. This was made up of £2.5 million for administration and legal costs, £15 million for the Driver and Vehicle Licensing Agency's (DVLA's) new driving permits scheme and £2.05 million for DVLA's new trailer registration scheme. In January 2018, HM Treasury reduced its allocation for 2017-18 to £5.6 million, following the Department's decision to change its plan for the new driving permits system from a digital to a paper-based solution. By the end of March 2018, the Department had used £3.1 million of the HM Treasury funds: the full amount on administration and legal costs, £0.6 million on driving permits and £43,000 on trailer registration. Costs are forecast to increase significantly: the Department and its arm's-length bodies plan to spend about £96.3 million on preparing for exit by the end of March 2019, of which £75.8 million is to be funded by HM Treasury (paragraphs 2.31 to 2.35 and Figure 7).

Oversight of progress

17 The Department has given clear responsibilities to its delivery teams but it needs to significantly strengthen its capacity to manage the overall programme. The Department has embedded work on EU Exit within its existing modal directorates, including rail, aviation and roads, bringing their expertise to bear in managing individual projects. Each directorate has set up its own EU Exit board, which is responsible for monitoring the work and progress of that directorate's EU Exit programme. The Department has set up two senior committees to oversee EU Exit work as a whole and drive the work forward. These review summary project plans for negotiations, legislation, borders and contingency plans but these plans are not sufficiently detailed to allow progress to be effectively challenged. The Department therefore risks not having a clear enough picture of the full implications across the EU Exit portfolio as a whole should a number of tasks begin to slip. At present, the Department's central EU Exit Programme Division comprises 12.6 full-time equivalent staff. The Department informed us that it intends to recruit more programme and project management expertise into its central exit team to address these issues and develop an integrated programme plan for the portfolio boards to monitor delivery (paragraphs 3.2 to 3.11 and Figure 8).

Conclusion

18 The Department has made a determined effort to address the significant and complex challenge of delivering the wide-ranging set of actions required of it to support the UK's exit from the EU. In doing so, it has drawn on its cadre of pre-existing programme and project management expertise. Against a backdrop of prevailing strategic uncertainties over the form of the negotiations and associated timings, it is preparing the large volume of secondary legislation that is expected to be needed before March 2019 and has been working with its arm's-length bodies to take forward a broad range of projects it considers essential to support exit. Its delivery of the Haulage Permits and Trailer Registration Bill to Parliament broadly to time demonstrated its ability to deliver a high priority.

19 Despite these efforts, the Department still faces a considerable challenge. For example, it still has much to do on the contingency arrangements required by DExEU in case no deal is reached, with an increasing risk of not being able to deliver them all within the time available. The lack of a consistent approach to reporting progress between the DExEU and Department-run reporting systems potentially hinders the communication of clear messages to more senior levels. As the exit programme enters a more complex and pressured phase, the Department needs a much clearer overall view of where its programme has got to against where it needs to be, and the overall implications of any slippage, and strengthened mechanisms for taking tough decisions on actions and priorities quickly.

Recommendations

20 As the exit programme enters a more complex and pressured phase, the Department needs to rapidly strengthen its capacity to oversee the full range of its activities.

- The Department should develop a much clearer integrated plan of the full range of implementation activities, their resource needs, their interdependencies and their timetables. It should use this to test whether it has sufficient people and resources for all the tasks it needs to deliver.
- Our analysis on reporting and our work on specific projects point to the need for more coherence and precision in assessing and reporting progress to help inform decision makers in both the Department and DExEU on progress and risks, and therefore what to prioritise for action.
- The Department should strengthen the capacity of its central programme management team to ensure that it is in a position to maintain the integrated plan, challenge reported progress and enable its directorates to keep pace.
- The Department should strengthen its arrangements to respond to, and follow up more urgently and systematically, recommendations from the Infrastructure and Projects Authority, the Government Internal Audit Agency and any other sources of external assurance that it might use.

Part One

The scale of the challenge

1.1 Membership of the European Union (EU) has had a substantial influence over transport policy across member states. The EU's common transport policy, which the UK has been part of for many years, has focused action in a number of policy areas, specifically:

- **Economic** – including the creation of a single market in transport services that facilitates the free movement of goods, services and people, and the creation of an integrated transport system;
- **Social** – including the promotion of safety standards, security and passengers' and workers' rights;
- **Environmental** – including ensuring that the transport system works in a way that does not impact negatively on the environment (including reducing the impact of noise, pollution, harmful emissions and greenhouse gases); and
- **External relations** – including developing relations with other countries and, in some cases, allowing the EU to act collectively at an international level.

In addition, the EU has created a trans-European transport network connecting national networks together, making them interoperable and linking outer regions of the EU.

1.2 As a result of its membership of the EU, the UK currently uses EU structures, mutual agreements, and safety and environmental standards across all transport areas.

The Department's vision in its single departmental plan

1.3 In May 2018, the Department for Transport (the Department) set out its objectives and how these would be achieved in its updated single departmental plan. The plan sets out the Department's mission to "create a safe, secure, efficient and reliable transport system that works for the people who depend on it; supporting a strong, productive economy and the jobs and homes people need". Its six objectives are to:

- support the creation of a stronger, cleaner, more productive economy;
- help to connect people and places, balancing investment across the country;
- make journeys easier, modern and reliable;
- make sure transport is safe, secure and sustainable;
- prepare the transport system for technological progress, and a prosperous future outside the EU; and
- promote a culture of efficiency and productivity in everything it does.

1.4 Under the objective to "prepare the transport system", the Department has two sub-objectives related to the UK's exit from the EU. These are:

- to ensure that the Department is prepared to secure the best possible outcome for transport users and businesses in negotiations; and
- to help establish a separate, distinct international trade policy for transport in preparation for leaving the EU.

1.5 The Department's ambition is to maintain and develop the current levels of transport connectivity between the UK and the EU to underpin the UK's future trading relationship. It also wants to continue to collaborate with EU and international agencies to maintain critical safety and regulatory arrangements, and to manage transport impacts at the border resulting from any change in customs or other practices.

The Department has to deliver a challenging portfolio of work

1.6 At June 2018, the Department for Exiting the European Union (DExEU), working with departments, had identified 314 work streams needed to support EU Exit. For each of the EU Exit-related work streams, DExEU has asked departments to:

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

1.7 Within this framework, the Department is required to:

- support the government's negotiations with the EU on specific elements of the negotiations where the Department has a direct interest;
- be responsible for delivering and reporting progress to DExEU on those work streams for which it is responsible; and
- support the work of other departments on cross-cutting issues like customs and immigration, which will have downstream impacts on the Department in terms of operational implementation at ports, airports and rail entry points.

The Department is currently responsible for 18 of the work streams across government, including two cross-government issues where other departments have lead responsibility (**Figure 3**).

1.8 Many of the work streams are concerned with maintaining the smooth flow of transport routes, for example by having service agreements in place with the EU and appropriate permit or licensing regimes in place.

1.9 Other work streams require the Department to implement new structures and systems to replace those currently administered by the EU. For example, to cover a range of possible negotiating outcomes, the Department, working with the Driver and Vehicle Standards Agency (DVSA), will need to build new systems for hauliers to be able to apply for and receive road haulage permits by the time we leave the EU. The Department also needs to work with the Driver and Vehicle Licensing Agency (DVLA) to build a new IT system to enable registration of trailers and to expand the current service for issuing driving permits.

Figure 3

The Department for Transport's Exit work streams

The Department for Transport (the Department) is responsible for 18 of the 314 work streams across government

Name

Aviation – air traffic management systems	The UK is currently part of the Single European Skies Air Traffic Management programme, which sets the regulatory and technical framework within which air traffic is managed throughout Europe. The Department is considering the UK's future relationship with the programme.
Aviation – air service agreement with the European Union (EU)	Air service agreements set the terms within which commercial air transport services fly between states. The Department is considering how to secure continued connectivity.
Aviation – future access to the European Aviation Safety Agency (EASA)	EASA is an agency of the EU that carries out both regulatory and executive functions in the field of civilian aviation safety. The Department is examining the options available for ensuring continuity of standards and functions on exit from the EU.
Aviation – air service agreements with other countries	Seventeen countries, including the United States, are currently covered by EU-negotiated air service agreements. The Department is working to maintain traffic rights to ensure that air services operate to and from these countries.
Aviation – future of security regimes	Agreeing protocols for security procedures over flights, including cargo flights.
Aviation – UK participation in the EU-wide emissions trading scheme	The EU Emissions Trading Scheme covers operators flying within Europe. The government is considering how the post-exit framework should operate. The Department for Business, Energy & Industrial Strategy has joint responsibility with the Department on this issue.
Vehicles – type approval for manufacturers	Vehicles must meet type approval (covering safety and other standards) before they can be sold in the EU. In the UK, this is issued by the Vehicle Certification Agency. The Department is taking forward plans to ensure continuity of practice on exit.
Vehicles – emissions and manufacturers' CO ₂ targets	The UK is currently part of EU-wide targets on vehicle emissions. The Department is considering how the post-exit framework should operate.
Maritime – Marine Equipment Directive	Marine equipment is currently subject to a regulation regime that requires assessment by a notified body. The Department is considering how the post-exit regime should operate.
Maritime – future access to the European Maritime Safety Agency (EMSA)	EMSA is an EU agency that helps prepare legislation and assists member states on issues of maritime safety and counter pollution. It maintains and provides access to information systems and counter-pollution assets. The Department is examining the options available for ensuring continuity of functions on exit from the EU.
Rail – ongoing recognition of documentation of operators and drivers	Running cross-border rail services requires ongoing recognition of certification for train drivers and operating companies. The Department is considering how the post-exit arrangements should operate.
Roads – rights for UK motorists to drive in the EU	At the moment, UK motorists can drive in the EU with their UK driving licence and do not require additional documentation, and the same applies to EU citizens driving in the UK. The Department is considering how the post-exit arrangements should operate.
Roads – rights for UK hauliers to carry goods in the EU	Hauliers carry goods on international journeys to and from the EU under existing arrangements, and European hauliers do likewise within the UK. The Department is considering how the post-exit framework should operate.
Roads – rights for UK bus and coach companies to carry passengers in the EU	UK bus and coach operators carry passengers on international journeys to and from the EU under existing agreements, and European operators do likewise in the UK. The Department is considering how the post-exit framework should operate.

Figure 3 *continued*

The Department for Transport's Exit work streams

Roads – motor insurance and frictionless travel to the Green Card free zone	UK and EU motorists have frictionless international access through the Green Card-Free Circulation Area. The Department is considering the options available to ensure frictionless connectivity post-exit.
Funding – the Connecting Europe Facility	A number of UK projects have received funding from the Connecting Europe Facility. The Department is considering options available post-exit.
Borders – transport infrastructure	Adjustments to transport infrastructure may be needed depending on the outcome of decisions and negotiations on future border regimes. The Department is working with other departments to put plans in place, because they lead on this issue.
Borders – Operation Stack	Operation Stack is a pre-existing project to find a solution to congestion on the M20 in to Dover when ferry or rail services are disrupted. The Department is working to put in place plans for March 2019 (Project Brock).

Source: National Audit Office analysis of Department for Transport and Department for Exiting the European Union documents

1.10 The Department is working to a range of different delivery dates depending on requirements of the task and the scenario. In March 2018, the UK government and European Commission published the latest draft text of the Withdrawal Agreement, under which the UK would continue to participate in European programmes and be bound by EU law until the end of 2020. The terms of the Withdrawal Agreement are however dependent on both sides reaching an overall agreement, which is not yet certain. Irrespective of the scenario, the Department will need to have appropriate legislative and agreement frameworks in place when the UK leaves the EU at the end of March 2019. DExEU has also instructed departments to make the necessary contingency preparations in the event of the government not reaching an agreement by March 2019.

1.11 In the event that an overall agreement with the EU is secured, this does not mean that the UK will have successfully negotiated its preferred outcome in every case. The Department must therefore ensure that its plans continue to cover a range of likely scenarios that fall between the preferred outcome and 'no deal'.

Interdependencies

1.12 To deliver the work streams, the Department is working with a wide range of stakeholders. These include:

- its own agencies, for example the Maritime and Coastguard Agency, which uses systems developed by the European Maritime and Safety Agency (EMSA); the Driver and Vehicle Licensing Agency (DVLA), which deals with permits and licences; and the Vehicle Certification Agency (VCA), which is the UK approval authority for new types of road vehicle, agricultural tractors and off-road vehicles;
- other government departments, for example HM Revenue & Customs, the Department for Environment, Food & Rural Affairs and the Home Office with regard to their plans for operations at the border; and the Department for Business, Energy & Industrial Strategy in respect of the operation of the transport market;
- private sector entities including, for example, companies operating in the rail, air, maritime and road haulage sectors with respect to any implications for them in terms of the future operation of the transport system; and manufacturers operating in the transport sector on any issues related to the future operation of the transport market; and
- contractors working for the Department or its agencies on any implications for what might be required of them.

1.13 The Department is organised into directorates that broadly mirror modes of transport, such as rail, aviation or roads. Each directorate is responsible for planning and delivering the work they need to be ready for exit. They have each set up their own teams to take the work forward and boards to monitor their programme of work. A central team coordinates this activity across the Department, leads on planning for negotiations and supports two departmental governance groups: the Portfolio Direction Group and the Portfolio Progress Group. The Department's Director for International and Regulatory Reform is the senior responsible owner for EU Exit, and the Director General for International, Security and Environment is chair of the Portfolio Direction Group.

Scope of the National Audit Office review

1.14 The purpose of this report is to set out how the Department is organising itself to support a successful exit from the EU, and to provide an assessment of the progress it has made. In Part One, we have set out the scale of the challenge the Department faces. In Part Two, we set out where the Department believes it is now and what more it is doing to prepare for exit. We also provide our assessment of the Department's progress against its plans and whether it is sufficient for them to be ready in time for exit, particularly if no deal is reached with the EU. We have not examined the Department's process for preparing detailed negotiating positions, which lies outside the scope of this review. In Part Three, we examine oversight of the programme both within the Department and from external sources, and we provide our assessment on whether it allows the Department to challenge and assure the progress made. Our study methods are described in more detail in Appendices One and Two.

Part Two

Addressing the implementation challenge

2.1 This Part considers:

- the Department for Transport's (the Department's) assessment of overall progress;
- the action taken by the Department to equip itself for the negotiations and the legislative task; and
- the progress made to deliver IT systems and other infrastructure to support exit in the event that no agreement is reached with the European Union (EU).

The Department's assessment of progress

2.2 It is important that decision-makers have a clear view of progress across the programme as a whole in order to decide priorities and assess risk. There should be a clear link between the aggregated assessments of progress and the project-level assessments that underpin them. We have identified a number of issues.

Progress reported to DExEU

2.3 The Department reports to the Department for Exiting the European Union (DExEU) monthly on its overall progress, using a standard template used by all departments that includes coverage of overall progress, risks, barriers and upcoming milestones. It also reports for each work stream the following for both the negotiated and contingent scenarios:

- delivery confidence: whether the Department has a viable solution;
- whether the Department is on track to deliver;
- confidence in the ability of third parties to deliver; and
- confidence in the Department's capability to deliver.

2.4 In March 2018, in its overall assessment, the Department reported that it was confident in its preparations for the negotiated scenario and that it could deliver on time for all the projects for which it was the lead department. It also reported, with some specific caveats, that “for the contingency scenario, the vast majority of our work streams are on track”. In its individual work stream assessments for the same month, it rated all work streams as on track for the preferred (negotiated) solution, and 14 out of 18 on track for the contingency solution for delivery by March 2019. Three work streams were reported as not on track for the contingency solution, and one work stream, relating to potential physical infrastructure work at border points of entry, was not reported on.

2.5 The Department further reported that it had made good progress with its legislative programme.

The Department's internal assessment of progress

2.6 The Department has developed its own more detailed monthly progress reporting. Directorates use this system to report to the central EU Exit team on 28 areas of work, known as 'projects', rather than the 18 work streams used to report to DExEU. The central team relies on these progress reports to produce information packs for the Department's senior committees, which are also attended by DExEU officials. These packs include information flagging up cross-cutting issues such as finance or capacity. These reports cover: objectives; updates on progress and forecasts; delivery confidence for the work as a whole, and for each project; key risks and dependencies, milestones and key performance indicators; information on forecast spending and capacity; and assurance activities. The Department also has separate reporting processes for legislation and borders.

2.7 The directorates' internal assessment of progress has identified a range of risks to delivery and provides, in most instances, a more cautious assessment of progress than that reported by the Department via the DExEU reporting system. In March 2018, 16 of the 28 projects were rated amber for delivery confidence, with the remaining 12 split between amber/green and amber/red. In the same month, 14 projects rated amber or amber/red in the Department's internal reporting were rated on track in the seven related work streams in the DExEU reporting system.

2.8 Our work identified instances where the senior committees overseeing exit work within the Department did not do enough to challenge directorates on their assessments. For example:

- the Maritime directorate reported that its European Maritime Safety Agency (EMSA) databases project was amber/green in January and February 2018, even though little work on identifying and planning new systems had been done. Progress on the related work stream was reported as on track to DExEU between January and March for the contingent solution even though little work had been undertaken. Ahead of the March report, the reporting to the senior committees was changed to amber/red to more accurately reflect the directorate's progress. It was only then that the senior committees discussed the risks. In April 2018, the Department changed the rating reported to DExEU for the contingent solution to not on track; and
- in March 2018, the Roads directorate report to the central team stated that there were "extensive pressures on timelines regarding technical specification, procurement, development and testing" for the new system to register trailers. The report assessed delivery confidence at amber. The minutes for one of the senior committees for the same month record that delivery of the project was presented in the meeting as on track and no concerns were raised. The related work stream was reported to DExEU as on track through to April 2018 for the contingent solution.

Comparison of reporting system assessments

2.9 The relationship between the 28 projects tracked by the internal reporting system and the 18 work streams reported to DExEU is not straightforward and complicates any effort to present a clear picture of progress (**Figure 4** on pages 24 and 25).

For example:

- the 28 projects do not include some work streams, such as Project Brock (Operation Stack) and transport infrastructure at the border; and
- some work streams relate to multiple projects, such as work related to future access to EMSA.

2.10 Four of the projects refer specifically to legislation, which may underpin other projects as well as multiple work streams, such as in the Energy, Technology and Innovation directorate, where secondary legislation will underpin work on vehicle type approvals (a separate project and a work stream) and low carbon fuels (a separate project but not a work stream). The Department also has separate reporting processes for legislation and borders and these in turn report separately to DExEU.

2.11 The lack of straightforward alignment between the 28 projects reported on internally and the 18 work streams reported to DExEU complicates any interpretation of progress. This difficulty is further complicated because:

- the internal reporting combines delivery confidence and whether the work stream is on track in a single rating, whereas the reporting to DExEU separates them into two ratings;
- DExEU splits these two ratings into a score between 0 and 3 for delivery confidence, and a binary 'yes/no' option for whether the work stream is on track; and
- the Department's reporting system uses a 5-point traffic light scale with different definitions for what constitutes red, amber and green than the DExEU 0–3 rating, and our work identified some inconsistencies within them (**Figure 5** on page 26).

Preparing for negotiations

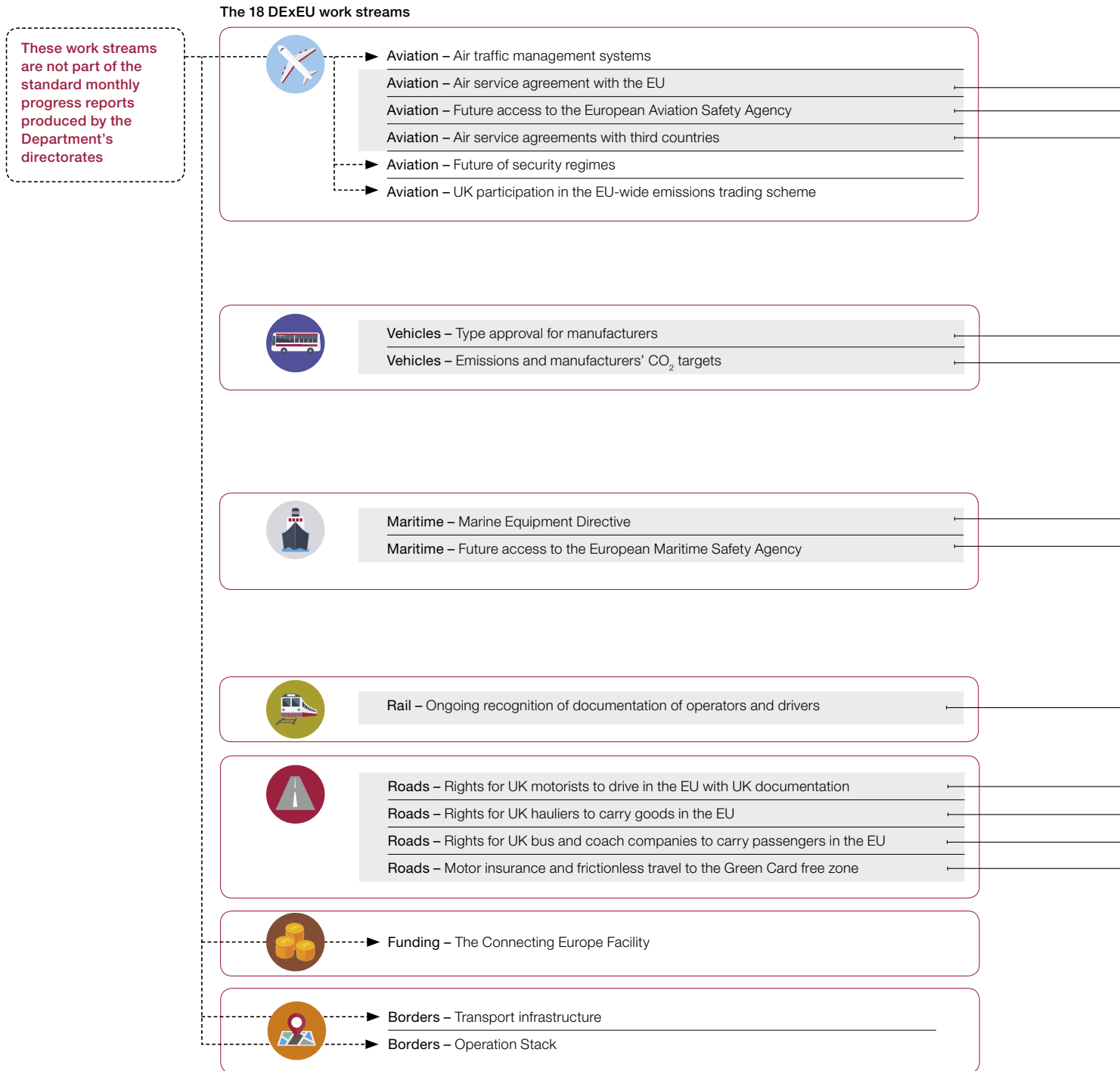
2.12 We have not examined the processes used to prepare negotiating positions, which is outside the scope of this report. Officials have reported to us the significant amount of work that has been undertaken across the Department to contribute to the formulation of negotiating positions across government.

2.13 The Department's human resources team has been working with the directorates responsible for the work streams and the central team to identify and plan for staffing needs in 2018-19, including to support negotiations. A paper setting out the identified needs was sent to the Department's executive committee in January 2018, then refined and further circulated to the Portfolio Direction Group in March 2018.

2.14 At the end of April 2018, the Department had identified that it would need 50.5 full-time equivalent staff to be able to support negotiations and implementation in 2018-19, in addition to the 84 people in the core department already working on EU Exit. The Department's human resources team has been working with the teams to develop detailed plans to put people in place. For each vacancy, the Department has considered whether to move someone within the Department or to recruit externally. By the beginning of June 2018, a need for an additional two full-time equivalent staff had been identified, bringing the total up to 52.5. Six vacancies had been filled, and internal moves or recruitment were in progress for 42 more, leaving 4.5 where the process had yet to start. The human resources team estimates that it takes on average nearly 80 working days to recruit a member of staff, assuming that external processes such as security vetting work as expected. This means that time is now tight to bring in external recruits and train them appropriately by October 2018, when detailed negotiations could begin.

Figure 4
Differences in the Department for Exiting the European Union (DExEU) and Department for Transport reporting

The 18 work streams reported to DExEU do not directly align with the 28 projects the Department for Transport's (the Department's) directorates include in their monthly progress reports




The Department's 28 Projects




- ▶ Aviation – Develop policy and negotiation strategies to secure best possible agreement for aviation
- ▶ Aviation – Legislation
- ▶ Aviation – Borders
- ▶ Aviation – Develop and implement (if required) detailed contingency planning for bilateral air service agreements
- ▶ Aviation – Develop and implement (if required) detailed contingency requirements for the European Aviation Safety Agency
- ▶ Aviation – Replace third country air service agreements and safety agreements


There is no direct correlation between these projects and a work stream




- ▶ Energy, Technology and Innovation (ETI) – International Vehicle Standards
- ▶ ETI – Office of Low Emission Vehicles
- ▶ ETI – Low Carbon Fuels
- ▶ ETI – Legislation
- ▶ ETI – ETI wide issues



- ▶ Maritime – Marine Equipment Directive
- ▶ Maritime – European Maritime Safety Agency acquis
- ▶ Maritime – European Maritime Safety Agency contingency
- ▶ Maritime – European Maritime Safety Agency price of access
- ▶ Maritime – European Maritime Safety Agency other activities



- ▶ Rail – Maintain cross-border rail services post-exit
- ▶ Rail – Develop and deliver domestic interoperability and safety regime for Day One



- ▶ Roads – Work towards ratification of the 1968 Vienna Convention
- ▶ Roads – 1968 Convention: International Driving Permits
- ▶ Roads – Driver licensing
- ▶ Roads – 1968 Convention: trailer registration
- ▶ Roads – Road haulage permits
- ▶ Roads – Commercial motoring rules
- ▶ Roads – Buses and coaches
- ▶ Roads – Motor insurance
- ▶ Roads – Legislation
- ▶ Roads – Other issues

Figure 5

The different definitions in external and internal reporting regimes

Department for Exiting the European Union reporting		Internal Department for Transport reporting	
Rating	Definition	Rating	Definition
3	<ul style="list-style-type: none"> • Solution offers similar challenge as delivering current policy; • clear evidence of high-quality delivery plan in train; • record of success in implementing similar projects; and • capacity to deliver on track. 	Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
n/a		Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
2	<ul style="list-style-type: none"> • Solution moderately more difficult to implement than current policy; • plausible plans under development; • some success in delivering projects at this scale; and • on track to have sufficient delivery capacity. 	Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.
1	<ul style="list-style-type: none"> • Solution significantly more difficult to implement than current policy; • limited evidence of actionable plans; • no track record of successful delivery of similar projects; and • limited capacity to deliver. 	Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible.
0	<ul style="list-style-type: none"> • No credible solution yet identified; and • no evidence of actionable plans to deliver proposed solution. 	Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The project/programme may need re-baselining and/or overall viability re-assessed.

Note

1 The 'yes/no' option for reporting to DExEU whether the work stream is on track has the following guidance: "Consider whether this programme is materially on track in all respects? If inconsequential slippage has occurred but you are confident it is recoverable in the next month, it is fine to mark "Y"."

Source: National Audit Office analysis of Department for Transport and Department for Exiting the European Union documents

Legislation

Primary legislation

2.15 The Department identified that it would need to introduce one piece of primary legislation specifically on transport matters to enable it to make contingency preparations for exit, which it would not otherwise have power to take forward.

2.16 On 7 February 2018, the government introduced the Haulage Permits and Trailer Registration Bill (the Bill) to Parliament. Its primary purpose is to provide powers to cover a range of scenarios, including contingency planning, with regard to drivers' rights. The Bill gives the government powers to:

- enable a permit scheme if required – ensuring that UK hauliers can obtain the necessary paperwork to provide services to and from EU countries; and
- establish a trailer registration scheme in line with the 1968 Vienna Convention – this would ensure that UK operators driving on the continent could comply with those EU countries that require the registration of certain trailers travelling on their roads.

2.17 The Bill is an additional piece of legislation laid before Parliament specifically designed to grant powers in the event that contingency scenarios arise, in addition to the eight set out in the Queen's Speech 2017. Once it had assessed the need for a bill, the Department had to work with DExEU and parliamentary officials to determine its scope. In light of this, the Department's lawyers worked with policy officials and Parliamentary Counsel to draft the Bill to meet a deadline to introduce it to Parliament by the end of January 2018. The Department considered this deadline to be crucial to enable the Bill, if passed, to receive Royal Assent by October 2018, thereby allowing sufficient time for Parliament to consider related secondary legislation by March 2019.

2.18 The Bill has since been through all three readings in the House of Lords, and has completed first and second readings and the Committee stage in the House of Commons.

Ratification of the 1968 Vienna Convention

2.19 As a separate legal task, the Department is ratifying the 1968 Vienna Convention on Road Traffic. The Department needs to ratify the convention because, in the absence of either a multilateral EU agreement or bilateral agreements with member states, UK drivers will need additional documentation to legally drive in EU countries. The 1968 Convention allows for the recognition of International Driving Permits (IDPs) to deal with this scenario. The Department has estimated that up to 7 million IDPs may need to be issued annually.

2.20 The Department had to act quickly to make the contingency arrangement legally viable. A prerequisite for achieving this was the need for the UK to be ratified under the Convention. To do this, the Department needed to have a ratification instrument deposited with the United Nations (UN) in New York for 12 months. The Department introduced the ratification instrument to the UK Parliament on 7 February 2018. Parliament approved the paper in March 2018 and the Department, working with the Foreign and Commonwealth Office, deposited the instrument with the UN on 28 March 2018, 12 months ahead of the UK's planned departure from the EU.

Secondary legislation

2.21 In addition to primary legislation, statutory instruments (SIs) are 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.

2.22 The Department estimates that it still has to prepare 127 SIs before 29 March 2019 – 64 of which relate to 'business-as-usual' activities, and 63 of which relate to exit. It has laid 45 'business-as-usual' SIs since December 2017. Programming and preparing the legislation will be a significant challenge for the rest of 2018 and early 2019.

2.23 The Department has done a significant amount of work to reduce, reprioritise and plan its programme of secondary legislation to make the programme manageable. This has included the following:

- 'triage' exercises, which challenged the Department to reduce the number of secondary instruments as much as possible. One was coordinated by DExEU in summer 2017. It was conducted quickly and the Department's directorates had to respond and make judgements in a short space of time.
- the Department created a specific Legislation Programme Board in May 2017 to oversee the preparation of exit-related legislation. The board has oversight across the Department's responsibilities, tracks progress against milestones on secondary legislation, shares information on progress across government and identifies cross-departmental issues, such as on resourcing.

2.24 The Department continues to face a considerable challenge, planning for not only the large number of SIs but also the interdependencies between them, continuing uncertainties related to progress of negotiations, and the evolving processes across government and within Parliament for processing the volume of SIs coming through.

2.25 The Department has had to change its original plans to spread the preparation and laying of secondary instruments across the time available (see **Figure 6** overleaf). Between December 2017 and May 2018, the planned laying date for seven of these 63 SIs was brought forward, four remained the same and 38 were moved back. The original plan assumed that the EU Withdrawal Bill would receive Royal Assent in March 2018 and that SIs that relied on the powers in the Bill could be laid from then on. By the beginning of June 2018, the EU Withdrawal Bill was still proceeding through Parliament. Compared with the initial planning assumption, the timetable for laying all the SIs is now further compressed and adds further pressure to the already tight programme across government.

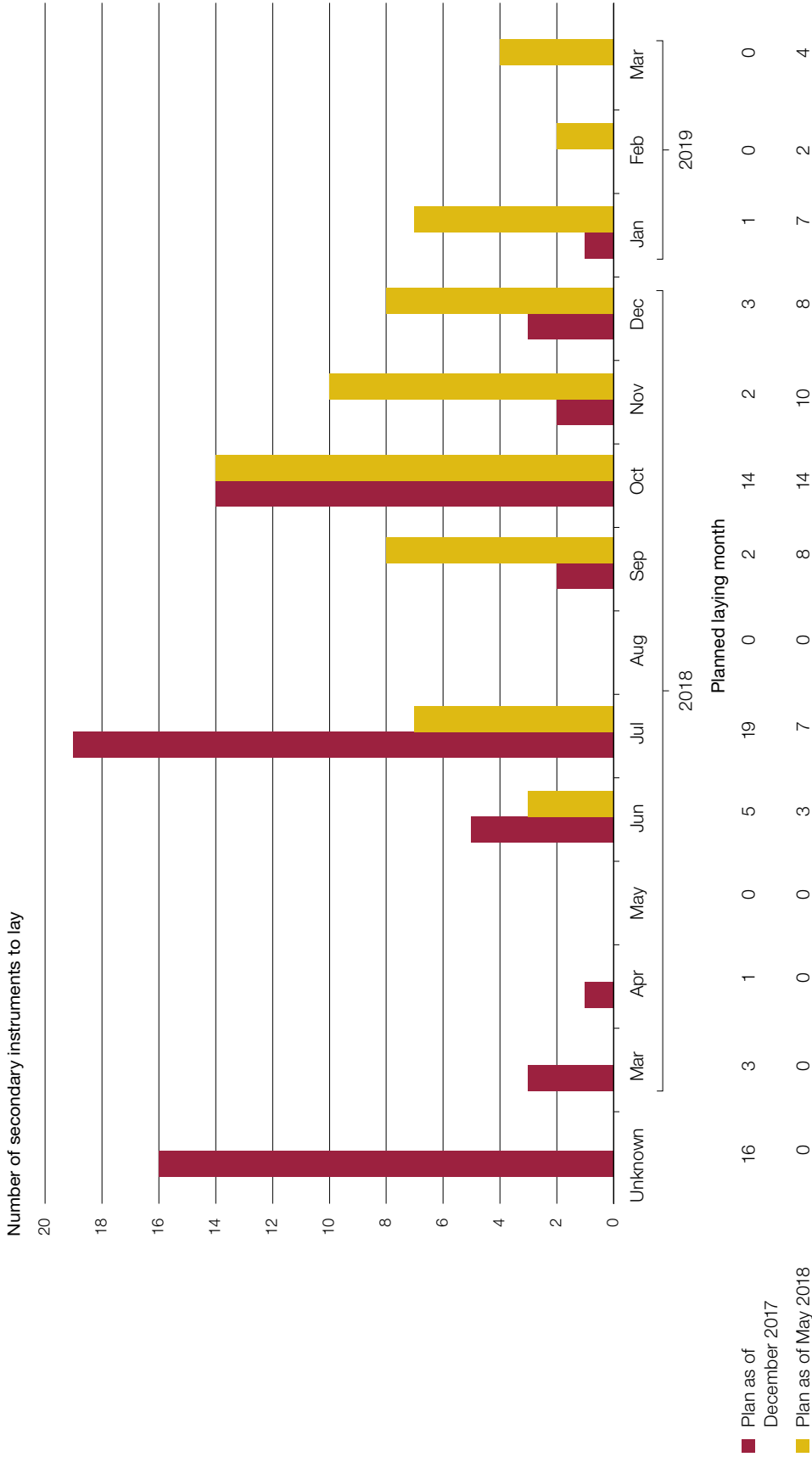
2.26 Many SIs are linked and delays may have a knock-on effect on the programme. For example, to sell or register vehicles in the EU or UK, manufacturers must ensure that the vehicle model meets EU type approval on environment standards. If no agreement is reached with the EU on exit, the UK would need to implement its own type approval regime and this would require new secondary legislation. The Department is preparing eight business-as-usual SIs to transpose the latest EU regulation. Four of these must be laid before the exit SI can be prepared and the Department originally planned to have all four in place by the end of May 2018. Two of the four have been rescheduled to June 2018, which has had an impact on preparing the exit SI. The Department is redeploying staff to ensure that the exit SI will still make its planned laying date of December 2018. Officials attributed the delay to resource constraints and remaining policy uncertainties.

2.27 The Department and the Government Legal Department (GLD) have been working to identify and put in place the legal capacity required to support EU Exit. At April 2018, there were 27 full-time equivalent lawyers working on EU Exit across the Department and it estimated that it had need of a further 10 full-time equivalent staff to take forward this work. By June 2018, two of these lawyers had been recruited. The GLD is also working to find other solutions for managing the SI workload. For the Department in particular, this has included using lawyers from the Office of the Parliamentary Counsel to draft some SIs, using the GLD's centre of expertise on SI drafting and lawyers from other departmental legal teams to conduct checks.

Progress with implementation

2.28 Between the referendum outcome in June 2016 and December 2017, the Department's major focus was on identifying and planning the primary and secondary legislation required to deliver EU Exit, identifying policy options and supporting the development of the government's negotiating position. Alongside this work, the Department is expected to plan for and take forward a range of other actions to support the UK's exit from the EU. DExEU has advised departments to continue planning in case agreements are not reached, and to have fully developed contingent solutions in place by exit day.

Figure 6 Movement in 'ideal' laying date for European Union (EU) Exit secondary instruments
Between December 2017 and May 2018, laying dates for secondary instruments changed and most moved backward



Notes

- 1 The 'ideal' laying date represents the planned laying date that the Department for Transport (the Department) is working to.
- 2 The total number of EU Exit secondary instruments in plans as at December 2017 was 66; the total number in plans as at May 2018 was 63. The final number may change because the Department is still developing its plans.

Source: National Audit Office analysis of Department for Transport data

2.29 As part of its work on the work streams, the Department has identified a need to deliver a range of actions to support its contingency preparations. Our detailed scrutiny of six areas of the Department's preparations (see Figure 2 and paragraph 2.30) included four in which the Department intended to put in place IT and other infrastructure.

2.30 In all four instances, our audit suggested that by mid-June 2018 significant work had still to be completed.

- **The trailer registration scheme** aims to ensure that UK trailer owners register their trailers to the standards of the 1968 Vienna Convention on Road Traffic, which the UK is ratifying in order to issue International Driving Permits (see below). Currently, trailer registration is the only significant area that does not meet the Convention's standards. To this end, the Department has asked the Driver and Vehicle Licensing Agency (DVLA) to build a new trailer registration scheme to be rolled out by the end of 2018. The Department's programme board approved the project's business case in early June 2018. The DVLA intends to use an external IT supplier to develop the new coding needed for the system but, while a preferred bidder had been selected, the contract had not yet been awarded. The prototype system, which initially the DVLA intended to have completed by April 2018, was unlikely to be ready for some months.

The roads directorate's internal report for April 2018 stated that there were "extensive pressures on timelines for: technical specification, procurement, development and testing", and for "focus to be given to alleviating these challenges and developing processes to allow development to progress at necessary pace." The report assessed delivery confidence at amber.

- **The International Driving Permits project** aims to enable UK citizens to have documentation to drive legally in the EU after March 2019, in case no agreement is reached in the meantime between the UK and the EU for mutual recognition of existing driving licences. The project is sponsored by the Department and being carried out by the DVLA. The Department envisages new arrangements for the issuance of IDPs to be run by the Post Office on its behalf involving up to 4,500 branch offices issuing up to 7 million new permits a year, each for a set fee, by 1 February 2019. This is against the current position where 89 post offices give out about 100,000 permits annually through a system run by external suppliers.

As yet, there is no business case and no detailed delivery plans. In May 2018, the Department formally notified the Post Office of its intentions by use of a change control notice to the existing DVLA/Post Office contract that deals with driver licence renewals. The notice announced the change required in outline form. Since then, the Post Office has been working on its detailed delivery plans for submission to the DVLA and the Department.

The roads directorate's internal report for April 2018 assessed the related driver licensing project as amber for delivery confidence. In July 2018 the Department reported to us that it regarded this project as deliverable.

- **The European Maritime Safety Agency (EMSA) project** aims to develop alternative UK information systems, including databases, to replicate functions previously carried out by EMSA. These are required by the Maritime and Coastguard Agency for its core activities, such as enforcement against unsafe and polluting ships, as a contingency in case no agreement is reached between the UK and the EU for the UK to continue to use existing systems.

As yet, there is no business case and no delivery plans for the required IT systems that would need to be ready for March 2019. Initial scoping had identified six of EMSA's existing databases as the most critical to replicate, although that number increased to seven and the decision was then taken to prepare contingency solutions for readiness on exit day for four of them. Early informal estimates of time and cost had been prepared but do not include key parts of the process such as procurement timings. The Secretary of State is not expected to make a decision on this until July 2018.

In March 2018, internal reporting moved delivery confidence from amber/green to amber/red to reflect the risks to delivery. As at June 2018, the maritime team in the Department and the Maritime and Coastguard Agency were still developing the governance structure for delivery.

- **Lorry queueing and traffic flow project at the border:** The Department has identified that a temporary solution is needed on the M20 near Dover to manage traffic flow as a contingency to mitigate the risk of cross-channel disruption including any that may be caused by new border arrangements following the UK's exit from the EU. It is calling this work 'Project Brock'. The project aims to hold coast-bound lorries on the M20 while allowing non-port traffic to continue to move in both directions. Given the need to be ready by March 2019, the project is required to deliver at pace. It is sponsored by the Department and to be delivered by Highways England.

In March 2018, the Department approved a preferred option for the work. It also formally delegated responsibility for the project's delivery, including approval of the business case, to Highways England. Although detailed engineering plans have been prepared, operational plans to put it into place were still being developed. Highways England awarded a contract on 11 May 2018, with a view that preparatory engineering and operational plans would be developed in parallel and work would begin in early July 2018. Highways England has made it clear that there is very little room for delay in either the design or the construction phase, and that the work carries significant risk. In July 2018, the Department reported to us that it was confident that the project would be delivered on time. Highways England reported that it remained on track to complete the project by March 2019.

No other traffic management plans have been made for contingency arrangements at other UK ports or airports, although the Department has been reviewing whether any are needed.

Spending on EU Exit

2.31 Funding of exit work is shared between the Departmental group's existing budget and HM Treasury's contingent reserve funds. HM Treasury expects departments, as far as possible, to live within their existing budgets in preparing for EU Exit. When this is not possible, departments put in a bid to HM Treasury for additional funds.

2.32 By the end of March 2018, the Department had spent in total £6.6 million on exit work, of which £3.5 million was funded from its existing budgets (£1.6 million in 2016-17 and £1.9 million in 2017-18) and £3.1 million from HM Treasury's contingent reserves (all in 2017-18). Spending from HM Treasury's reserves in 2017-18 was less than planned:

- **In December 2017**, the Department successfully bid for authority to use £19.55 million from HM Treasury's contingent reserves. This was to fund £2.5 million for administration and legal costs, £15 million for the DVLA's project to issue IDPs, and £2.05 million for the DVLA's trailer registration scheme.
- **In January 2018**, however, the Department's bid for use of HM Treasury's reserves had reduced to £5.6 million (set out in the Supplementary Estimates), including £2.5 million for admin and legal costs, £1.0 million for driving permits (reflecting the Department's decision to change its planned approach from a digital to a paper-based system), £0 for the trailer registration scheme and an additional £2 million for the Driver and Vehicle Standards Agency's (DVSA's) new road haulage scheme (paragraph 1.9).¹
- **By 31 March 2018**, the Department had spent £3.1 million of HM Treasury's reserves. This included £0.6 million for work on the road haulage scheme, £43,000 for work on trailer registration and £0 on driving permits, with the remaining (£2.5 million) on admin and legal costs.

Ministerial direction

2.33 In February 2018, the Department sought, through a Ministerial Direction, to secure parliamentary authority to spend resources on projects and work that may not have sufficient legal cover. For example, the Haulage Permits and Trailer Registration Bill is not likely to receive Royal Assent until the autumn. The Permanent Secretary asked for direction to spend:²

- up to £10 million for the DVSA to develop a new road haulage permit system to issue permits for UK hauliers to allow them to perform road haulage in the EU; and
- around £15.4 million to develop systems for a new trailer registration scheme, which will allow trailers in countries that have ratified the 1968 Vienna Convention.

The Department has concluded that all other spending related to EU Exit falls under existing statutory powers.

¹ The published supplementary estimate details £4.550 million in resource spending and £1.000 million in capital spending.

² Details taken from the Ministerial Direction which is formally shared with the C&AG and available online at: www.gov.uk/government/publications/eu-exit-preparations-dft-ministerial-direction

Future spending

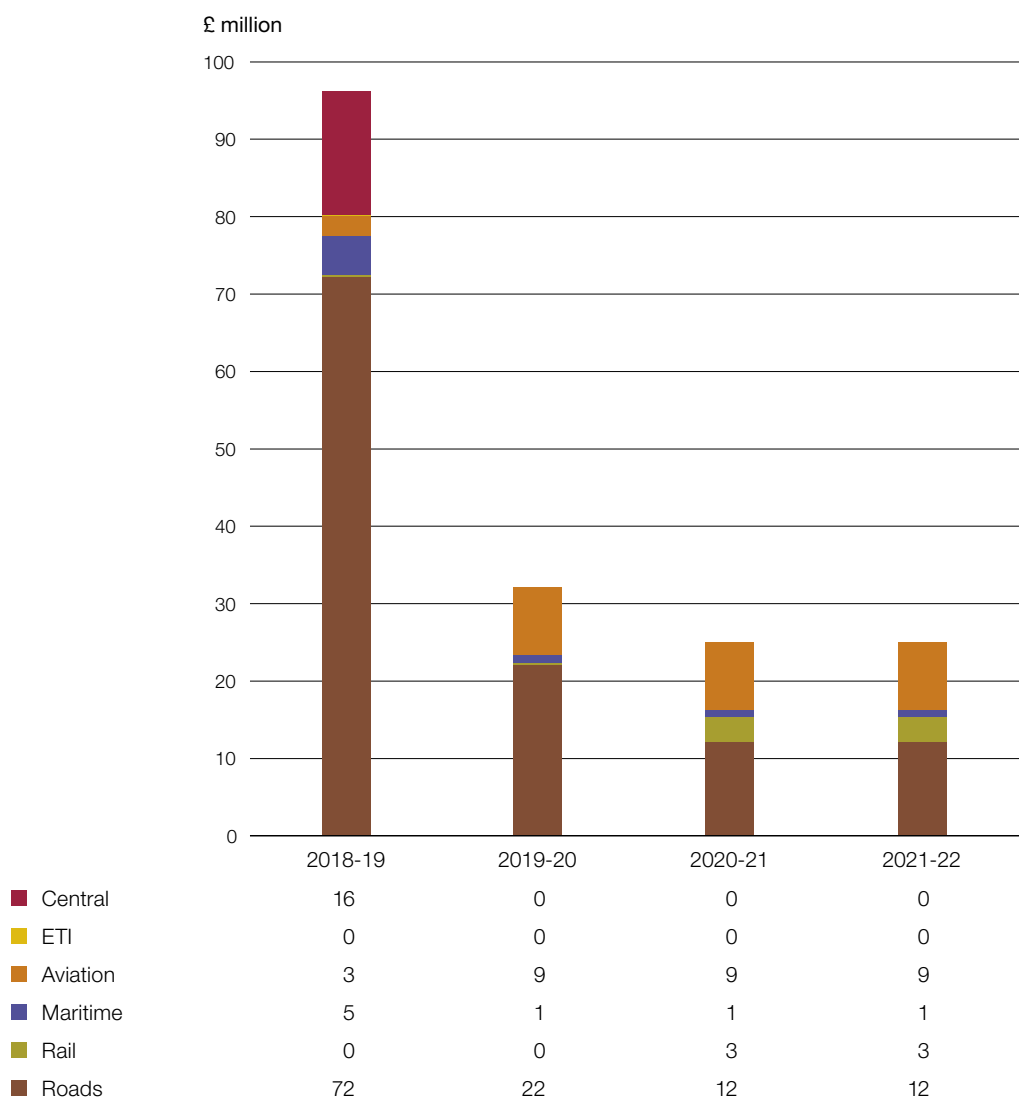
2.34 The Department expects spending to increase rapidly in 2018-19 as the delivery programme picks up. It currently forecasts that it and its arm's-length bodies will spend about £96.3 million on preparing for exit in the 2018-19 financial year, and to help fund this it has received £75.8 million from HM Treasury. The difference between the two figures consists of £20 million on Project Brock and small additional amounts on a variety of projects across different directorates. The Department has agreed that expenditure above the £75.8 million awarded by HM Treasury will need to be sourced from making efficiencies or changing its budgetary priorities. The Department and its arm's-length bodies have estimated that they will spend about £180 million on projects for EU Exit by March 2022 (**Figure 7**). This does not include possible future spending to replace EU funding streams where no decision has been taken, or projects relating to the border where the Department expects that other departments will be responsible for implementation. This also does not take into account possible cost recovery through charging fees for some services.

2.35 As part of the Department's future spend, it has estimated the costs of possible future membership of the European Aviation Safety Agency at £18 million between 2019-20 and 2021-22, based on information on Switzerland's contribution as a non-EU state. It is working to estimate the costs of possible future membership of EMSA and estimates it will spend £8 million, as a contingency, on replacement systems between 2018-19 and 2021-22.

Figure 7

Estimated spending by the Department for Transport and its arm's-length bodies on projects for EU Exit

The Department for Transport (the Department) has estimated that it will spend around £180 million in total on projects for EU Exit between 2016-17 and 2021-22



Notes

- 1 Figures taken from information supplied by directorates to the Portfolio Progress Group in May 2018.
- 2 Figures are likely to change as delivery plans are developed and future costs become more certain. In particular, the estimated future costs from 2019-20 onwards for roads is likely to decrease as the Department intends to recover running costs through charging fees for some services.
- 3 The total estimated spend includes the £6.6 million actually spent by the Department in 2016-17 and 2017-18, not shown in this chart.
- 4 ETI stands for energy, technology and innovation.

Source: National Audit Office analysis of Department for Transport data

Part Three

Oversight

3.1 This Part considers:

- The Department for Transport's (the Department's) arrangements for overseeing its work to support European Union (EU) Exit both within directorates and centrally; and
- the assurance arrangements in place to advise it on progress.

Arrangements for overseeing the programme

Directorates

3.2 The main focus of the Department's work on EU Exit lies within its directorates, for example rail, air and aviation. Each directorate manages its respective risks and has ownership of the EU Exit issues that will impact on its areas of activity. Each of the five directorates has a team of people working primarily on exit with a mix of policy, legal, analytical, project management and operational expertise. The teams are expected to use the expertise of the rest of the directorate when needed. Over time, each of the Department's directorates has set up its own EU Exit board, following a practice established in the aviation team, which is responsible for monitoring the work and progress of that directorate's EU Exit programme. An exception is maritime, which is covered by a broader Maritime Trade and International Policy steering board.

3.3 Using the Department's directorate structure has in most instances allowed it to make use of its existing policy expertise. Most directorate teams include a mixture of staff recruited from within the Department, from elsewhere in the civil service and externally. The aviation team reported that it had deliberately moved existing staff in their team onto EU Exit, which enabled them to build up their team early and use existing expertise. This action helped it to make good progress on some work streams. Other directorates relied to a greater extent on recruiting staff from outside their existing teams, for example the team dealing with maritime.

Centrally

3.4 The Department has established senior committees to oversee the programme of EU Exit activities. These in turn report to the Department's top-level executive committee (**Figure 8** overleaf). The committees include:

- The Portfolio Direction Group, chaired by the Director General for International, Security and Environment, provides strategic direction and cohesion at director level. It manages relationships with other government departments, determines the portfolio and resolves risks.
- The Portfolio Progress Group, which monitors progress and risks across the Department's portfolio of exit work at management level, providing oversight of cross-cutting issues and cross-government dependencies. The group reports to the Portfolio Direction Group.
- The Legislation Programme Board, which oversees and coordinates the identification and delivery of the Department's EU Exit legislative programme.
- The Borders Coordination Group, which ensures that the Department has a collective view of all border-related issues relating to exit and that its work is coordinated with that of other government departments.

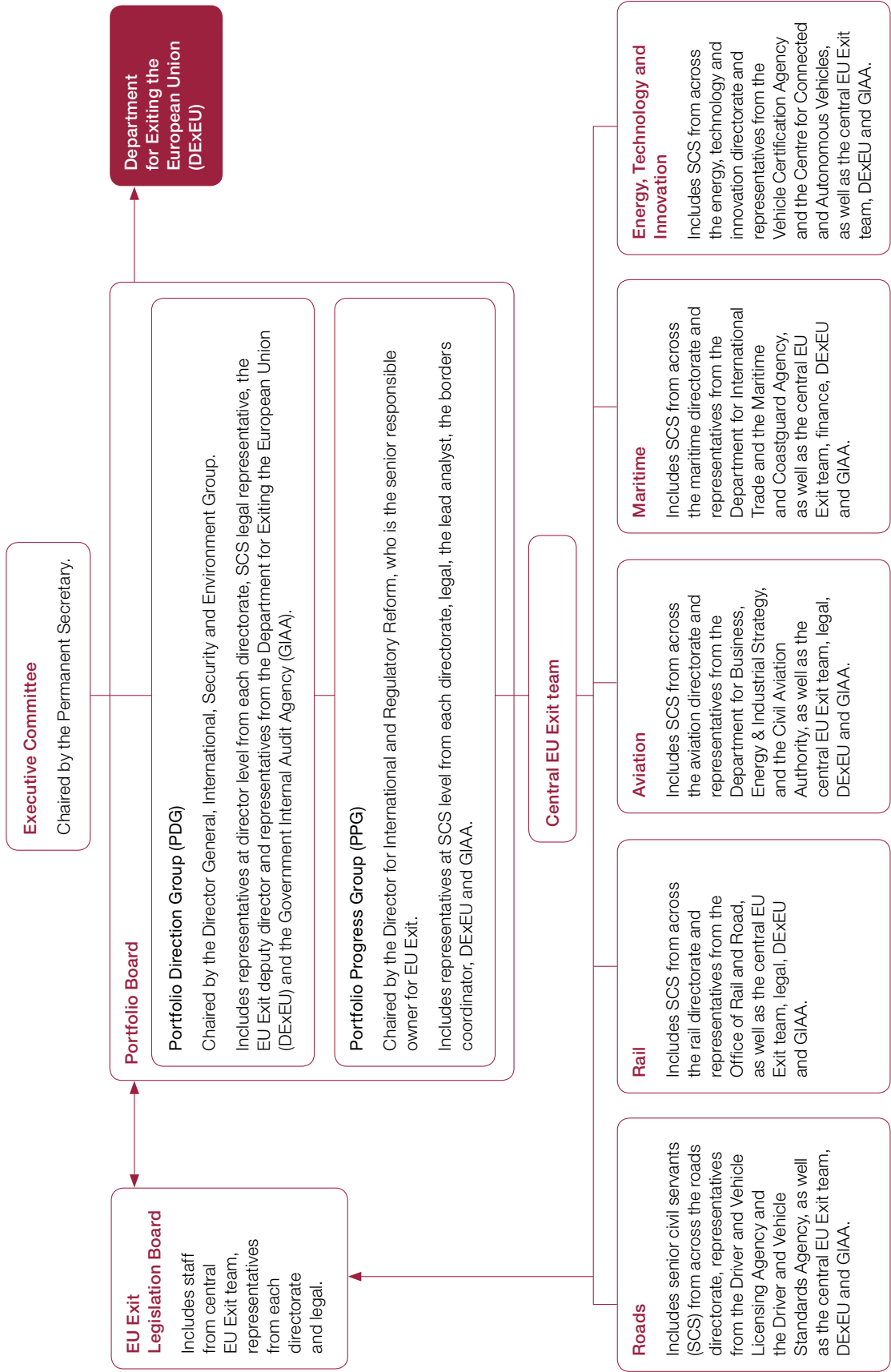
3.5 The work of the central boards and the five EU Exit directorate teams is coordinated and supported by staff based in the Department's International and Regulatory Reform directorate. These staff carry out cross-cutting EU Exit activity including planning support for negotiations, legislation and analysis. There is also a small team that acts as the programme management office for all exit work, bringing together information for the central boards and flagging emerging issues in summary reports. This team also manages the Department's relationship with the Department for Exiting the European Union (DExEU).

Integrating and challenging the directorate plans

3.6 Feedback from the directorate teams was positive about the existing board structure and the programme management office, particularly in terms of communication and managing the relationship with DExEU. However, it is less clear how effective they are in challenging the directorates on the progress they are making in their exit work. In addition to our evidence on the pressure on timetables to deliver some projects (paragraph 2.30), some modal reports give a static picture of progress. Thirteen projects that were rated either amber or amber/red for deliverability had not changed rating between January and March 2018. The EU Exit key performance indicators across the Department, which are reported to the Portfolio Progress Board, did not change between December 2017 and March 2018. Persistent issues over this period included, for example, the need for additional lawyers and long delays in obtaining data from other government departments needed to model traffic flows at the border.

Figure 8 Governance structure for exit issues within the Department for Transport (the Department)

A central EU Exit team and two portfolio boards sit above a series of individual EU Exit boards for each directorate



Source: National Audit Office analysis of Department for Transport documents

3.7 In addition to a number of critical paths at modal and central level, until May 2018 the Department's central boards reviewed a summary critical path covering negotiations, legislation, borders and contingency plans. But the document did not contain sufficient detail to allow progress to be effectively challenged. For example, it often included just the start and end date of projects with no way to track progress between the two and identify the degree of slippage. In May 2018, the Department removed the summary critical path from its central reporting. However, there is still no overall programme plan that consolidates modal plans and includes all key deliverables and milestones, thereby giving the Department a clear enough picture of the full implications should a number of tasks begin to slip. This assessment is needed and will become more important as the preparations for EU Exit move into a more complex phase.

3.8 The central EU Exit Programme Division comprises 12.6 full-time equivalent staff, including only two staff who specialise in programme and project management. The Department informed us that it intends to recruit more programme and project management expertise in its central exit team in the next few months to develop an integrated programme plan for the portfolio boards to monitor delivery and to strengthen the capacity of the team to manage all the demands made upon it, which are likely to increase in complexity as the programme enters its most demanding phase.

Assurance

3.9 The Department has sought independent assurance for its exit work. In May 2017, it asked the Government Internal Audit Agency (GIAA) to take on an embedded role. The GIAA was asked to report to management on the Department's governance, risk management and control of its EU Exit portfolio, but not progress on implementation. The GIAA developed a framework of assurance covering six key themes and provides a summary traffic light risk rating for each theme, alongside more detailed findings and recommendations, every two months. The themes are:

- governance: structure and controls;
- alignment of programme objectives;
- planning and delivery timescales;
- team roles – capacity and capability;
- risk, issue and dependency management; and
- communication and stakeholder management.

3.10 Since November 2017, the Department has also invited the Infrastructure and Projects Authority (IPA) to review some specific aspects of the Department's exit work. The terms of reference for this work state that these were 'support' rather than formal independent assurance pieces.

3.11 The Department has accepted the findings and recommendations in all IPA and GIAA reports. However, action taken to address them has often lacked a systematic approach to tracking progress, and progress itself has been mixed. The GIAA assessed all six areas in its management framework as amber in November 2017, meaning 'medium risk – needs to be addressed'. In response, the central exit team has worked with GIAA to improve in these areas, but in May 2018 five of the six areas were still rated amber. The imminent recruitment of further programme management expertise is intended to address the remaining issues. In terms of specific IPA reports, for example:

- In response to a November 2017 IPA report, the roads directorate created a specific document to track implementation of the IPA's recommendations. No target dates for implementation were set, and while some have been implemented, others were still outstanding over 6 months later. One of these included the urgent need to develop comprehensive and integrated delivery plans.
- Similarly, another IPA report on Project Brock recommended that detailed plans should be produced by the end of February 2018. While detailed engineering plans were in place by mid-June, operational plans were still being developed.

Appendix One

Our audit approach

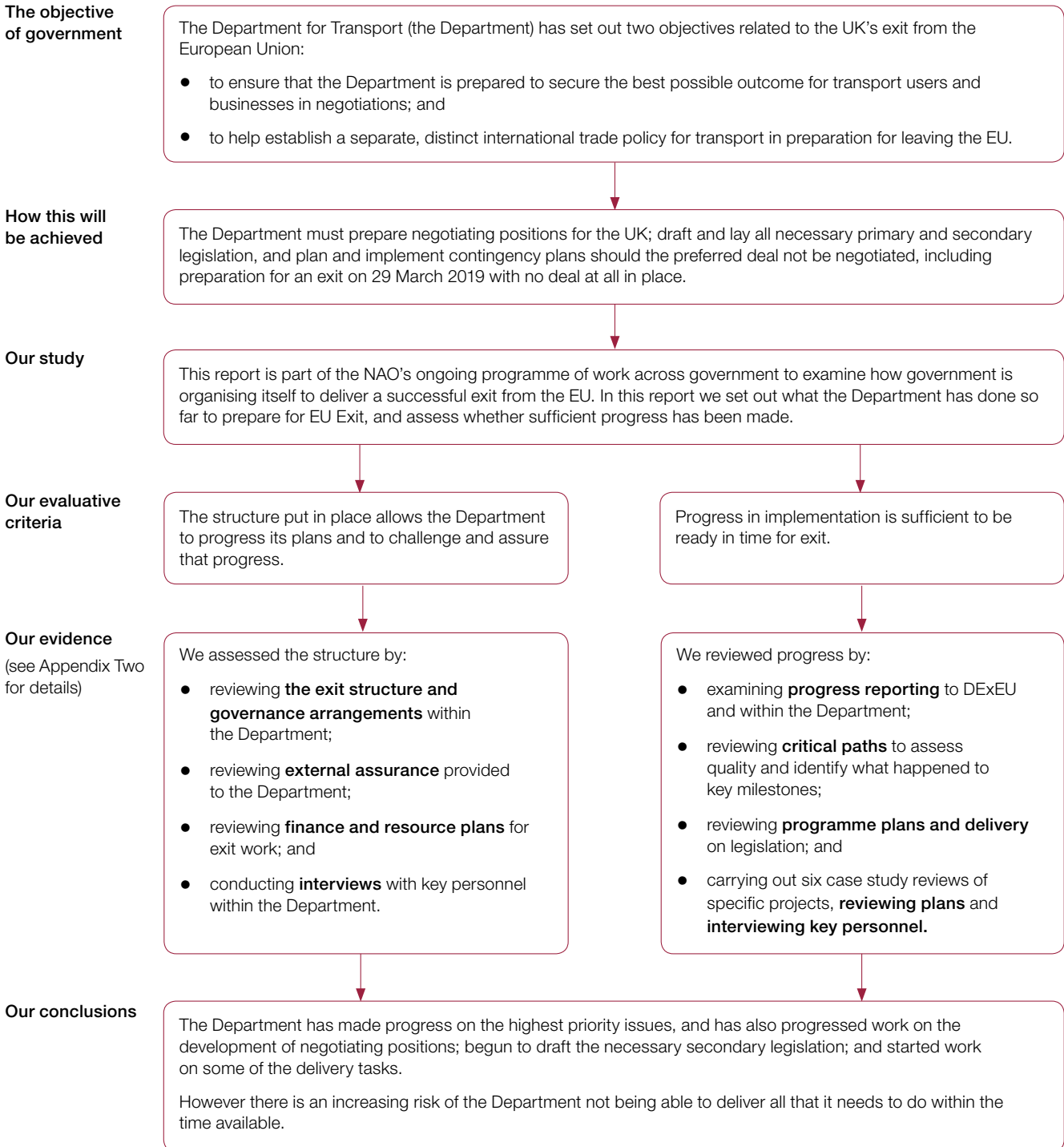
1 This report provides our independent assessment of the Department for Transport's (the Department's) progress in preparing for exiting the European Union (EU). To do this we reviewed:

- whether the structure put in place allows the Department to progress its plans and to challenge and assure that progress; and
- whether progress in implementation is sufficient to be ready in time for exit.

2 We developed our own evaluative framework to assess progress, which considers the quality of governance arrangements, challenge and assurance mechanisms, reporting and planning.

3 Our audit approach is summarised in **Figure 9** overleaf. Our evidence base is described in Appendix Two.

Figure 9
Our audit approach



Appendix Two

Our evidence base

- 1 Our independent conclusions on whether the Department for Transport (the Department) has made sufficient progress in preparing for exit were reached following our analysis of the data we collected. Our fieldwork took place between February and June 2018.
- 2 We applied an evaluative framework to consider the progress the Department has made in implementing the UK's exit from the European Union (EU). Our audit approach is outlined in Appendix One.
- 3 We examined whether the structure put in place allows the Department to progress its plans and to challenge and assure that progress.
 - We reviewed the **exit structure and the governance arrangements** the Department had put in place, reviewing terms of reference and management information provided to key boards within the department, including the executive committee, Portfolio Direction Group, Portfolio Progress Group and legislation board.
 - We reviewed the **external assurance reports** provided to the Department by the Government Internal Audit Agency on the governance of exit work between September 2017 and May 2018, and reports by the Infrastructure and Projects Authority on the progress of specific aspects of the Department's work between November 2017 and April 2018.
 - We examined **departmental board meeting minutes**, including those of the executive committee, legislation board, Board Investment and Commercial Committee and Portfolio Direction Group, to understand the nature of EU Exit discussions at these levels. Our review covered the minutes of meetings held between August 2016 and April 2018.
 - We reviewed the **plans for finance and resources** for exit work from 2016 onwards.
 - We **conducted interviews** with key personnel across the department, including semi-structured interviews with the senior responsible officers for exit projects, as well as people in key functions including finance, human resources and project management for exit work.

- 4 We examined whether progress in implementation is sufficient to be ready in time for exit.
- We examined **progress reporting to the Department for Exiting the European Union (DExEU)** between January and April 2018. We also reviewed **progress reporting within the Department** over the same period, including standardised reporting to the exit central team as well as informal progress updates as recorded in meeting minutes. We compared the two sets of reporting to check for consistency, and also compared reported progress with the evidence gathered for each of our case studies (see below).
 - We **analysed critical paths** produced by the Department. We assessed them against project management tools to assess their quality and usefulness in decision-making. We also analysed how the paths changed over time to identify where key milestones had been reached, missed or moved.
 - We reviewed **programme plans and delivery** on legislation. We monitored the progress of the Haulage Permits and Trailer Registration Bill through Parliament. We **reviewed project management information** on the Department's secondary instrument workload, including programme plans from December 2017, and compared these with updated plans through the period to May 2018 and with actual laying dates in Parliament.
 - We carried out six **case study reviews** of specific projects. The areas of work were chosen to cover a number of directorates and to provide insight into different challenges in delivery for the Department. We **reviewed formal business plans**, including submissions to the Secretary of State and formal Business Cases to the Department's Investment Committee or to HM Treasury where available, and reviewed working-level plans in all cases. We undertook **semi-structured interviews with key stakeholders** within the Department and within relevant arm's-length bodies when appropriate.

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