National Audit Office

NEWS RELEASE

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Report by the Comptroller and Auditor General

Department for Environment, Food and Rural Affairs: Progress in implementing EU Exit

The Department for Environment, Food and Rural Affairs (Defra) has made good progress in its preparations for exiting the EU, but it faces an enormous challenge. It is now not able to deliver everything it originally intended for a 'no-deal' exit, though Defra told us it still aims to have sufficient arrangements in place if needed, says the National Audit Office (NAO).

Defra is one of the government departments most affected by EU Exit. It is responsible for 55 of the 319 EU related work streams across government, covering chemical and agri-food industries, agriculture, fisheries and the environment[1].

In its report published today, the NAO has assessed how Defra is implementing its overall EU Exit portfolio and has assessed in detail four of Defra's work streams covering environmental regulations for chemicals, the import and exports of animals and animal products and control of English fishing waters.

Defra has achieved a great deal in difficult circumstances and to a very demanding timescale. For example, Defra has: developed detailed plans for its preparations, secured HM Treasury approval for £320 million spending in 2018-19; started to build new IT systems; recruited over 1,300 new staff by March 2018; strengthened its project management capability; and published consultation documents on agriculture and fisheries.

Despite these and other developments, the constantly changing environment has made it challenging for the department to make and stick to a robust plan and meet its project deadlines. The risk of Defra not delivering everything it had originally intended for a no deal scenario is high and, until recently, not well understood by the department. In the work streams the NAO examined it found the following examples where Defra would not be ready:

- Exports of animals and animal products from the UK are valued at £7.6 billion. For the UK to continue exporting, it must comply with international health requirements and all exports must be accompanied by an export health certificate. Defra needs to negotiate with 154 countries to introduce 1,400 different UK versions of current EU export health certificates. Defra is focusing on reaching agreement with 15 of these countries which it estimates account for 90% of total exports, but will not reach the other 139 by March 2019. It has accepted the risk that UK firms exporting to countries where agreements are not reached may not be able to do so for a period after EU Exit.

- Export health certificates will also be required for the first time for exports to the EU if there is no deal which will result in a significant increase in certificates needing to be processed by vets. Without enough vets, consignments of food could be delayed at the border or prevented from leaving the UK. Defra intended to start engaging with the veterinary industry in April 2018, but has not been permitted to do so and now plans to launch an emergency recruitment campaign in October to at least meet minimum levels of vets required. It plans to meet any remaining gaps through the use of non-veterinarians to check records and processes that do not require veterinary judgement.

- The fishing industry contributes £682 million to UK gross domestic product. Defra is still developing its plans to strengthen its control and enforcement activities in English fishing waters. Defra hopes to significantly increase vessel patrol hours, but due to delays in procurement and planning is unlikely to reach its originally intended patrolling capacity by March 2019. In a no-deal scenario, Defra may have to scale up its capacity over time, but is confident that it will be able to manage the risk of any disruption in the interim.

There are further challenges that sit outside of Defra's control:

- The UK's chemical industry is the country's second largest manufacturing sector with exports to the EU valued at £17 billion in 2017. The UK hopes to seek continued participation in the European Chemicals Agency, but this is dependent on a negotiated settlement. Without this, UK chemical manufacturers would no longer be able to export products to EU member states as registrations of products would cease to be recognised by the EU. To recover market access, they would need to re-register their products on the EU's system via an affiliate or representative located in an EU member state. This is a lengthy process that cannot be started until the UK has left the EU.

- Due to the shortage of parliamentary time available, there is a high risk that Defra will not be able to deliver all of its legislation by March 2019. It has three new bills and 93 Statutory Instruments to convert EU law into UK law and is now having to prioritise.

- Defra has not been able to fully support businesses in their preparations. As a result of government restrictions, communicated through DExEU, it has not been able to hold open consultations with stakeholders on their preparations for a no-deal scenario. It has also, until very recently, been prevented from issuing specific information for the chemical industry or food importers and exporters.

Defra told the NAO in September 2018 that it was confident it could have alternative arrangements in place if the UK exits without a deal in March 2019. The NAO has recommended that Defra accelerates its planning for the withdrawal agreement while also finalising its contingency plans.

Amyas Morse, the head of the NAO, said today:

"The scale and complexity of what needs to be done to leave the EU is a significant challenge and Defra is impacted more than most. It has achieved a great deal, but gaps remain and with six months to go it won't deliver all it originally intended in the event of no deal, and when gaps exist, it needs to focus on alternatives and mitigations.

"Like other departments, it now must ensure its voice is heard by the centre of government to provide an accurate picture of what is possible if a negotiated settlement is not reached, and even if it is."

- **ENDS-**

Key facts

£320 million	**1,307**	**151**
Defra's approved EU Exit spending for 2018-19	staff recruited in 2017-18 for EU Exit work	statutory instruments needed by Defra in 2018 for EU Exit and non-EU business, more than double the average over the previous 8 years

55	of 319 work streams across government that Defra is responsible for, following a review that began in April 2018. The number initially increased to 64 and then fell to 55
33	of 93 statutory instruments needed for EU Exit where first draft was complete by early June 2018
6	of 43 work stream plans that, by April 2018, had fully complied with Defra's planning standards
£17.0 billion	value of UK's exports of chemicals and chemical products to the EU in 2017
£7.6 billion	value of UK animal and animal product exports
154	countries that Defra will have to reach agreement with on acceptance of UK versions of export health certificates to allow export of animals and animal products
730,000	approximate number of consignments of animals, animal products and high-risk food and feed each year to be processed through the new UK import control system

Notes for Editors

1. In April 2018, Defra began a comprehensive review of its portfolio that resulted in an increase in the number of work streams it is responsible, from 43 to 64. The number has since fallen to 55 as two work streams are closed and seven have been rolled into others. This report is based on the 43 original work streams in place until May 2018 as Defra's portfolio was in transition during our analysis.
2. In December 2017, the NAO published a briefing on how Defra was preparing for the UK's departure from the EU.
3. The NAO is continuing to offer its insight and expertise to help Parliament and government respond to and focus on the implementation issues relating to the UK's exit from the European Union. In the last two years, the NAO has published around 15 reports on how government is preparing for EU Exit. This year, we have plans to publish reports on the Financial Settlement, UK Borders and how the government is implementing EU Exit overall.
4. Press notices and reports are available from the date of publication on the NAO website. Hard copies can be obtained by using the relevant links on our website.
5. The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 785 people. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies

evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services. Our work led to audited savings of £741 million in 2017.

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All enquiries to the NAO press office

Stephen.luxford@nao.org.uk

020 7798 7861 / 07895 260 074

Kindra.hyttner@nao.org.uk

0207 798 7863/ 07972 304 379

pressoffice@nao.org.uk

020 7798 7400