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Committee of Public Accounts

Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade

Thirty-Seventh Report of Session 2017–19

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The Committee of Public Accounts

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Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 6593; the Committee's email address is pubaccom@parliament.uk.

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Summary

The Department for Environment, Food & Rural Affairs (Defra) and the Department for International Trade (DIT) face an unprecedented challenge in preparing for Brexit. Their preparations, however, are being hampered by the pervasive uncertainty about the UK's future relationship with the EU, which leaves not only departments but also businesses in the dark about exactly what they need to do to prepare. This means that Defra, in particular, is having to work up options for the three different scenarios—deal, no deal or transition. This is time-consuming and costly. It also has to navigate new legislation and major IT programmes in very short time. At the time of our evidence session, less than a month before the start of the 2018–19 financial year, funding for departments' EU Exit programmes had not yet been confirmed. This slow decision-making on the part of HM Treasury stands in the way of effective government preparation. We are concerned about how realistic the departments' plans for Brexit are, especially where new IT systems are required. But both departments appear optimistic that they can deliver what's required to be ready for March 2019, whatever the outcome of the negotiations. There is a lot at stake, a functioning trade policy is vital and if the UK leaves the single market and customs union there need to be clear alternatives in place or business and the economy will suffer. DIT appears to have adopted a free trade policy but business needs time to adapt and there are still many uncertainties with no clear timetable for changes. Defra has said it will fall back on to manual systems as it seeks to deliver all that it needs to for Brexit, but this could impede or at least slow down imports and exports causing severe delays at the border. Both departments have an impossible challenge and don't have a clear plan of top priorities. They must be clear about what they will not be delivering as a result of Brexit.

Introduction

The Department for Environment, Food & Rural Affairs (Defra) is one of the departments most affected by Brexit. With almost all of its areas of responsibility framed by EU legislation, it is a key player within government in negotiations on the withdrawal agreement and the future relationship with the EU, in future trade agreements, border planning and in agreeing future arrangements with the devolved administrations. It is responsible for 43 of the 300 plus Brexit-related workstreams across government. Almost half of these have an IT component, and some require establishing entirely new bodies to take over EU regulatory functions. On top of this, it has to manage a sizeable legislative programme, including two major pieces of new primary legislation on agriculture and fisheries, continue its business as usual, and achieve efficiency savings of £138 million in 2018–19.

The Department for International Trade (DIT) was formed in July 2016 in direct response to the EU referendum result. It has overall responsibility for promoting British trade across the world, including preparing for and then negotiating Free Trade Agreements and market access deals with non-EU countries. DIT is responsible for eight of the Brexit-related workstreams across government. Its tasks include joining the World Trade Organisation and the Government Procurement Framework, planning for different scenarios and introducing new legislation. DIT will therefore need to work with the devolved administrations to ensure coherent public procurement law and policy. In November 2017, DIT submitted its first piece of primary legislation to Parliament, the Trade Bill, which will establish the framework for the UK to operate its own trade policy.

We took evidence on the 7 March 2018. On 19 March 2018 the Department for Exiting the European Union published the Draft Withdrawal Agreement which includes a transition period running to 31 December 2020, and stated that the UK and the EU negotiating teams aim to finalise the entire Withdrawal Agreement by October 2018.

Conclusions and recommendations

1. **Due to the continuing uncertainty over the future relationship with the EU, departments have to plan for several different scenarios and are unable to provide business and other stakeholders with the information they need to help them prepare for Brexit.** Although the Draft Withdrawal Agreement includes a transition period, both the Department for Environment, Food & Rural Affairs (Defra) and the Department for International Trade (DIT) will need to continue to plan for a "no deal" scenario as well as a negotiated settlement with a transition period. Defra is looking at the functions it needs to perform and is planning a number of different ways of ensuring those functions are in place when they are needed. This could involve manual processes if IT systems are not ready in time. DIT needs to set up a new trade remedies body, including recruiting and training its staff, but does not yet know when this will need to be in place. Both departments recognise the critical importance of engaging with stakeholders to deliver a 'smooth and orderly exit' from the EU, but are still having to consider the most appropriate messaging for stakeholders at this stage, given the uncertain outcomes. DIT acknowledges that the uncertainty that exists is unhelpful for business and it aims to keep communication flowing and provide assurance where possible, but there are areas where it cannot do so.

   Recommendation: ***Defra and DIT must, by July 2018, publish on their websites information and timelines setting out how and when they anticipate being able to provide more explicit guidance for businesses and key stakeholders on what they need to do to prepare for Brexit.***

2. **We are very concerned that, less than a month before the start of the financial year, HM Treasury had still not informed departments of the level of funding approved for their EU Exit programmes in 2018–19.** At the time we took evidence in early March 2018, neither Defra nor DIT had been informed of their EU Exit funding for 2018–19, although both had submitted bids and were in discussions with HM Treasury. This undermines Departments' ability to plan activity effectively. Defra was confident that the element of the funding requested that relates to rolling forward the costs of people already recruited would be covered. Since our evidence session, HM Treasury, in a written statement accompanying the Spring Statement on 13 March 2018, has allocated funding of £310 million to Defra and £74 million to DIT for 2018–19.

   Recommendation: ***HM Treasury must improve its processes for approving EU Exit funding so that departments have certainty about their funding at a much earlier stage and are therefore able to plan their activity more effectively.***

3. **The devolved administrations have a crucial role to play for both departments and failure to engage successfully will cause disruption to the UK's internal market.** Defra estimates that 80% of its functions are in devolved areas of policy. Failure to reach timely agreements with devolved administrations in these areas would have a far-reaching impact across its EU Exit programme. For DIT, trade promotion is a concurrent power. It has no offices in the devolved administrations, and works with their respective development offices on trade issues. The reformed Board of Trade covers the whole of the UK and the Secretaries of State for the devolved

administrations are advisors to the Board. DIT is still working with the devolved administrations to establish which business sectors and geographic regions in the UK as a whole might benefit most from trade, prior to beginning any negotiations.

Recommendation: ***We expect both departments, by July 2018, to report to us on progress in their engagement with devolved administrations, setting out what has been achieved and the risks and challenges that remain.***

4. **Despite departments' optimism about delivering the post-Brexit functions required, there are already signs of delay to key primary legislation and work towards future trade deals.** Both departments expressed their confidence that they are ready for a "no deal" scenario in March 2019. Defra said that it has solutions that will enable it to perform the functions that will be required and DIT that it is in a strong position to deliver an operational trade policy from day one. However, Defra's White Paper on Fisheries that was promised by the Secretary of State in December 2017 has been delayed due to discussions with devolved administrations and across government. This will leave little time for consultation between publication of the White Paper and the introduction of the Bill. On trade issues, DIT is prioritising the transfer of the 40 EU/third country trade deals to UK/third country trade deals. No decisions have yet been made on the nature of any trade deal with the US but DIT says it would be possible to do a deal in 18 months if there was genuine political commitment on both sides. We took evidence on 7 March 2018, before publication of the Draft Withdrawal Agreement proposing a transition period to December 2020. As a result, the Departments may feel they have some breathing space, but this does not mean that they can take their foot off the gas.

Recommendation: ***Departments must ensure realistic plans and key milestones are in place for all of their workstreams by the end of July 2018.***

5. **We consider it unrealistic to expect Defra to achieve the efficiency savings needed alongside delivering Brexit and its extensive portfolio of non-Brexit work.** Defra is responsible for 43 of the 300 plus Brexit-related workstreams across government, including high priority projects that impact on key industries and the safety of our food. It also has an extensive portfolio of non-Brexit work to deliver, including protecting us from floods and animal and plant disease outbreaks. Despite this demanding workload, Defra remains committed to saving £138 million in 2018–19 to meet its spending review settlement. Without robust prioritisation to postpone or descope some of its workload, we consider it unrealistic to expect Defra to be able to deliver on all of these competing demands.

Recommendation: ***Defra should acknowledge that it cannot continue to do everything it is currently doing, and write to us by the end of June 2018 setting out its processes for prioritisation and a list of programmes and areas of activity that it is stopping, postponing or descoping.***

6. **There are substantial risks, including disruption to the agri-food and chemical industries, if Defra's IT systems are not ready in time.** 20 of Defra's 43 workstreams have an IT component, four of which have a 'build' element in the event of a 'no deal' scenario. These include an import control system to facilitate trade in animals and animal products, and a system for the registration and authorisation of new

chemical products. We took evidence on 7 March 2018, before publication of the Draft Withdrawal Agreement proposing a transition period to December 2020. Defra told us that it has made good progress in developing these systems, but also told us that its contingency plans if systems are not ready in time include 'manual workarounds'. With only a year to go until the UK leaves the EU, and in light of Defra's poor track record in implementing new IT systems in the past, we have concerns over the potential for disruption to the agri-food and chemical industries if these IT systems are not ready in time and contingency plans have to be enacted. If the transition period goes ahead, it will give the Department more time to develop these systems, but the Department needs to make sure that it doesn't let progress on their development slip, in case negotiations break down.

Recommendation: ***Given its poor track record on IT delivery, Defra must ensure it has the necessary resources in place to complete its IT programmes on time and avoid costly and embarrassing contingencies involving manual completion and submission of forms. We expect Defra to update us on its progress by the end of June 2018.***

7. **We are not convinced that DIT yet has the right mix of skills and experience in its workforce to deliver effective trade deals.** DIT told us that it is building up its trade negotiation capability and its Trade Policy Group has expanded rapidly from 100 when the Department was formed to 500 now. When challenged on whether these staff had the skill and expertise to deliver successful trade negotiations, DIT expressed the view that it had world-class staff with talent, strategic capability and the ability to learn. However, it also acknowledged that ideally it would like to be able to recruit more staff with negotiation experience.

   Recommendation: ***DIT should write to us within two months setting out how its existing capability, together with any further recruitment plans it has, will enable it to have the skills needed to negotiate trade deals.***

8. **DIT does not yet have an adequate understanding of the regional and sectoral impacts of Brexit on inward investment and jobs and industry's ability to trade smoothly.** DIT told us that it is working closely with HMRC, BEIS and other departments on preliminary sectoral impact analyses of different Brexit scenarios, including the implications for inward investment and exports. DIT also described a wide range of ways in which it seeks to engage with industry and business, including the creation of great.gov.uk, a one-stop shop for exporters. However, DIT acknowledged that it needs to understand the needs of small businesses better and improve its offer for medium-sized businesses.

   Recommendation: ***DIT should write to us, again within two months, explaining how it is using strong analysis of the impact of different options on sectors and regions to inform its decisions about trade and inward investment policy.***

1 Progress, resources and capability

1. On the basis of a report by the Comptroller and Auditor General, we took evidence on 7 March 2018 from the Department for Environment, Food & Rural Affairs (Defra) and the Department for International Trade (DIT) about the two departments' preparations for EU Exit.[1] Defra is responsible for 43 of the 300-plus workstreams across government, the second highest number of any department.[2] DIT has responsibility for eight of the workstreams.[3]

2. Defra's workstreams vary in scope and scale from straightforward rewording of existing guidance to establishing entirely new domestic regulatory regimes. Almost half of Defra's workstreams have an IT element and many of these are still at an early stage of development. Its work includes setting up a new framework and systems for regulation of the chemicals industry, establishing a system to make payments to farmers, working with the devolved administrations to establish a new UK agricultural policy, and replacing an existing EU system for customs clearance of imports of animals and animal products.[4] DIT's work includes planning for the UK's independent membership of the World Trade Organisation and the Government Procurement Framework and setting up a trade remedies organisation and a trade disputes framework.[5]

3. Both departments have received significant additional funding for their EU Exit programmes. HM Treasury approved spending of £94 million for Defra's EU Exit programme in 2017–18 but, at the same time, Defra was aiming to deliver efficiency savings of £105 million.[6] By early March, it had filled 1,100 of its 1,200 additional EU Exit posts.[7] DIT's budget for 2017–18 was £374 million, a 2.7% increase on the previous year. Its staff numbers grew from 2,504 in June 2016 to 3,745 in October 2017.[8]

4. On 19 March 2018, DExEU published the 'Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community'. The draft agreement includes a transition period running to 31 December 2020. DExEU stated that the UK and EU negotiating teams aim to finalise the entire Withdrawal Agreement by October 2018.[9]

Funding uncertainty

5. At the time of our evidence session in early March 2018, HM Treasury had not yet informed departments of the funding that would be available to them for 2018–19. Both departments said they were in negotiations with HM Treasury and hoped for confirmation soon. The Treasury Officer of Accounts told us that it expected to make an announcement

1 Report by the Comptroller and Auditor General, Implementing the UK's exit from the European Union: The Department for Environment, Food & Rural Affairs, Session 2017–19, HC 647, 20 December 2017; Report by the Comptroller and Auditor General, Implementing the UK's exit from the European Union: The Department International Trade, Session 2017–19, HC 713, 25 January 2018
2 C&AG's Report (Defra), p 5
3 C&AG's Report (DIT), p 5
4 C&AG's Report (Defra), pp 5, 10
5 C&AG's Report (DIT), p 5
6 C&AG's Report (Defra), pp 16–17
7 Q 1 (Defra)
8 C&AG's Report (DIT), p 9
9 https://www.gov.uk/government/publications/draft-withdrawal-agreement-19-march-2018

within two weeks and indeed the funding levels for each department were announced on 13 March at the time of the Chancellor's Spring Statement.[10] £310 million was allocated to Defra and £74 million to DIT for their 2018–19 EU Exit programmes.

6. Although agreement had not yet been reached at the time of our oral evidence session, Defra told us that it was confident of being able to resource the things that it needed to deliver, and that rolling forward the costs of people already recruited into 2018–19 would be covered. Defra was also considering what work it could do at risk, if necessary.[11] DIT told us that it was in discussion with HM Treasury at the time of the evidence session. DIT explained that its work would need to continue for many years ahead although, in the written statement, funding was only confirmed for 2018–19.[12]

Delays and delivery optimism

7. Defra told us that it is confident it will have sufficient funding from HM Treasury to deliver its EU Exit programme, and that it would be ready for a 'no deal' scenario in March 2019 with contingency plans in place.[13] However, we also heard evidence of delays in key areas. Defra's Secretary of State told the Environment, Food and Rural Affairs (EFRA) Committee in September 2017 that Defra's White Paper on Fisheries would be published by Christmas 2017, but this had yet to be published at the time of our evidence session.[14] We challenged Defra on this delay and were told that discussions on the content of the White Paper across government and with the devolved administrations had delayed its publication. Defra told us it hoped to publish it shortly, but in light of the fact that it intends to introduce the Fisheries Bill shortly after Easter, the delay will limit the time available for public consultation on this key policy area.[15]

8. DIT told us it was confident that it was in a strong position to deliver 'operational trade policy' on day one following EU Exit. However, it also made clear to us that it had to be realistic and that other factors (for example, the legislative timetable and the actions of third parties in the case of Free Trade Agreements) might impact on its ability to deliver an effective trade policy. As evidence of this, it attributed adjustments in some workstream milestones to changes in the legislative timetable. DIT told us it has built flexibility into its plans to mitigate these risks as far as possible.[16]

9. In response to our questions on progress with securing new trade agreements, DIT told us that it is currently focusing on ensuring continuity of approximately 40 trade agreements the EU currently has (or will have) with countries outside the EU and that the UK wants to maintain after it exits the EU.[17] The Department said it was seeking 'substantial equivalence of outcome' and that it had been clear with the third countries concerned that the aim was to maintain the status quo.[18] It also told us that in March 2019 the UK would no longer be party to these agreements unless their continuation was negotiated bilaterally or unless a mechanism was agreed by which the UK could remain

10 Q49 (Defra); Spring statement: Written statement (HCWS540), 13 March 2018
11 Qq 26 and 46 (Defra)
12 Q 38 (DIT)
13 Qq 10, 12, 26 (Defra)
14 EFRA Committee oral evidence: The work of Defra, HC 321, 13 September 2017, Q 7
15 Qq 23–25 (Defra)
16 Qq 20–21 (DIT)
17 Q 26 (DIT)
18 Qq 36–37 (DIT)

part of these agreements during a transition phase. When challenged as to whether this could result in a loss of trade in March 2019, DIT told us it was working to ensure the UK was not in that position.[19]

10. We also asked DIT to give its assessment of the feasibility of a quick trade deal with the US and raised our concerns that public expectations about what could be achieved may be unrealistic.[20] The Department was not aware of any concern that the public has an unrealistic expectation, making the argument that the government has not yet decided on its position with regards to a possible free trade agreement with the US and therefore it would be premature to start to prepare the country for something not yet known.[21] On whether a deal could be done quickly, DIT said that, provided there was "genuine political commitment from both sides", a deal can be done in 18 months and pointed to the US's NAFTA deal with Canada and Mexico that had been reached in roughly that timescale.[22]

Delivering Defra's EU Exit programme alongside its efficiency savings

11. Within its substantial portfolio of 43 EU Exit-related workstreams Defra told us its high priority projects include ensuring a functioning import control system for animals and animal products, establishing a new chemical registration system to replace the EU's Registration, Evaluation Authorisation and Restriction of Chemicals (REACH) regulation and managing the enforcement of our fisheries controls.[23] We asked the Department about the consequences of failing to deliver any of these workstreams and it acknowledged that the consequences would be 'very serious'.[24]

12. In addition to its EU Exit programme, Defra has a substantial domestic policy agenda, including responsibility for maintaining the UK's resilience to floods, and protecting the UK from animal and plant diseases and other environmental crises.[25] The Department also told us that it remains committed to its spending review targets, including achieving savings of £138 million in 2018–19. It aims to achieve these through a range of measures including consolidation of its corporate services and a programme to improve the efficiencies of its farm visit programme by reducing the need for more than one agency to visit the same farm.[26]

13. In light of the grave consequences of failing to deliver its EU Exit programme, we challenged Defra on what areas of work it had deprioritised to enable it to deliver its EU Exit programme successfully. The Department outlined how its EU Exit programme has been reviewed to ensure that critical projects that need rapid intervention are prioritised but, beyond some staff redeploying from areas that would not be required after EU Exit, it did not give us any examples of non-EU Exit work that had been cut or de-scoped to make headroom.[27]

19 Qq 39–40 (DIT)
20 Qq 66–70 (DIT)
21 Qq 92–93 (DIT)
22 Q 63 (DIT)
23 Q 3 (Defra)
24 Q 7 (Defra)
25 C&AG's Report (Defra), p18
26 Qq 28–32 (Defra)
27 Qq 17–19 (Defra)

Risks to Defra's IT delivery

14. Defra told us that 20 of its 43 workstreams have an IT component, with four projects requiring some element of build in a no-deal scenario, the two most significant of which are an import control system to facilitate trade in animals and animal products, and a system for the registration and authorisation of new chemical products.[28]

15. The previous Committee reported in 2016 on failures in Defra's delivery of the Common Agricultural Policy Delivery Programme (CAP-D)—an IT system designed to administer payments to farmers under the Common Agricultural Policy.[29] In light of this track record, we expressed our concerns over Defra's capacity to deliver these projects and challenged the Department on the progress it had made. In response, the Department told us that it has looked carefully at the lessons it could take from its experience of the implementation of CAP-D, and stressed that its most complex project—the new import control system for animals and animal products—was 'significantly less complex' than the CAP-D system.[30]

16. In terms of progress, we were told that in both cases (the import control system and the chemicals registration database), Defra has commenced the build process, and plans are in place for user testing later this year. Defra also told us that in the event of delays to these builds, it has built fall-back positions into its plans to be ready for a 'no deal' scenario in March 2019, which might include using some 'manual workarounds'.[31] The Department acknowledged that a 'no-deal' scenario would result in some 'clunky fixes' and some functions would not be performed 'as slickly as they are at the moment'. Defra was open about the fact that a transition period (the draft Withdrawal Agreement, which includes a transition period to December 2020, had not been published at the time of our evidence session) would increase its confidence in its ability to deliver by enabling it to make changes over a longer time period, as well as providing more time to prepare businesses and people for the changes that would take place.[32]

Getting the right mix of skills and resources for DIT's EU Exit programme

17. This Committee previously reported, in February 2018, that the civil service does not currently have the people and skills needed for EU Exit work. We had heard then about Cabinet Office's concerns that "there could be an issue in the marketplace; we are competing for skills that are pretty rare."[33] Since the referendum, we have heard about the shortage of trade negotiators[34] and this is a skill that the UK has not required in the UK civil service for 40 years.[35]

28 Qq 3, 10 (Defra)
29 Committee of Public Accounts, The Common Agricultural Policy Delivery Programme, Twenty-sixth Report of Session 2015–16, HC 642
30 Q 10 (Defra)
31 Q 10 (Defra)
32 Q 68 (Defra)
33 Committee of Public Accounts, Exiting the European Union, HC 467, Eighteenth Report of Session, 2017–19, 7 February 2018, para 12
34 Q 56 (DIT)
35 C&AG's Report (DIT), p 19

18. Since DIT was established in 2016, its Trade Policy Group has increased in size from 100 when the Department was formed to 500 people in February 2018.[36] About one third of these staff have come from outside the civil service. Some have particular skills, such as a 'rules of origin' expert.[37] [38] The Trade Policy Group is not currently doing any trade negotiations, but is working on the DExEU workstreams and developing trade policy.[39] The Department has also recruited a Chief Trade Negotiator, with 25 years of trade negotiating experience.[40]

19. We challenged DIT on whether it had the staff in place with the right skills to carry out trade negotiations. The Department said it would ideally have some more experienced negotiators but also expressed a preference for "young, enthusiastic, talented, ready to go" staff, over "tired, old, re-used negotiators". The Department told us that it now aims to develop the next level down from the Chief Trade Negotiator with a mix of recruitment and training existing civil servants.[41]

20. We asked DIT how long it would take to train people to be able to undertake trade negotiations.[42] The Department told us that it is already training people through the new trade faculty that has been set up at the FCO's Diplomatic Academy. Staff are also learning as they work on the DExEU workstreams. The Department explained that it has profiled different scenarios about the capability and number of staff it may need in the future.[43] At present the Department is staffed to be able, in the next 12 to 18 months, to work on at least three new trade negotiations with countries that the government is known to be positive towards and a smaller number of the 40 free trade agreements that the UK needs to translate over from EU agreements.[44]

36 Q 53 (DIT)
37 Rules of origin are used to determine the country of origin of a product for the purposes of international trade.
38 C&AG's Report (DIT), p 20
39 Q53 (DIT)
40 C&AG's Report (DIT), p 20
41 Qq 54, 56 (DIT)
42 Q 55 (DIT)
43 Q 38 (DIT)
44 Q 59 (DIT)

2 Working with industry and devolved administration

Uncertainty over the future relationship with the EU

21. The scope of both departments' EU Exit programmes remains uncertain and is dependent on policy decisions yet to be taken and the outcomes of negotiations. Departments are having to respond flexibly to these developments, plan for a range of scenarios and build appropriate contingencies into their plans.[45] The Department for Environment, Food and Rural Affairs (DEFRA) told us that the precise scope of its work will depend both on whether a transition period is agreed and the shape of the future economic relationship with the EU and that therefore flexibility and continuing dialogue is necessary.[46] The Department for International Trade (DIT) explained that, although a transition period was possible, it would continue to work to this March 2019 deadline, with a view to transferring existing EU trade deals with third countries to the UK by this time.[47] Despite the inclusion of a transition period in the Draft Withdrawal Agreement, published after our evidence session in March 2018, both departments will nevertheless need to maintain their plans for a "no deal" scenario, requiring all the necessary functions to be in place by March 2019 in the event that negotiations break down.

22. Both departments gave examples of how they were building flexibility into their programmes. Defra is replacing the EU's Trade Control and Export System, known as TRACES, for clearance of imports of animal and animal products. It is being designed to handle third country imports, as the EU system currently does, but will also have the built-in option to handle imports from the EU, should this be necessary.[48] DIT told us that all of its workstreams were dependent on the passage of legislation, and that it needed to build in flexibility to its plans to cope with any delays.[49]

23. This uncertainty is making it difficult for the departments to communicate effectively with stakeholders. Defra told us that, in the food sector, for example, it has an extensive programme of engagement, and is staging a series of regional events with food manufacturers and retailers as well as the British Retail Consortium and the Food and Drink Federation. It has also established a food sector council that enables the Department to engage on relevant issues. However, the lack of clarity was making it difficult for the department to determine the most appropriate messaging for stakeholders. In the event of no deal, the department will need to work quickly with industry to determine the actions that need to be taken.[50]

24. DIT also outlined its programme of engagement with stakeholders including business, trade associations and industry groups through regional round tables and the British Chamber of Commerce, but acknowledged that it had to be smarter about how it worked with stakeholders and view it as a more "joined-up effort". On the question of trade with the US, DIT has not yet been able to determine its position. It is still working

45 C&AG's Report (Defra), p 10; C&AG's Report (DIT) p 17
46 Q 27 (Defra)
47 Q 33 (DIT)
48 Q 13 (Defra)
49 Q 21 (DIT)
50 Qq 62–63 (Defra)

through where the UK would benefit most from trade with the US and therefore what the UK's negotiating strategy will be. It feels that it is unable to communicate fully with industry at this stage about how this might turn out.[51]

Working with the devolved administrations

25. About 80% of Defra's functions are in devolved areas of policy. Agriculture, fisheries and environment are all devolved. Membership of the EU has until now provided a common framework within which the devolved administrations are able to exercise their own policy discretion. Leaving the EU changes all that, and Defra must now agree common UK frameworks with the devolved administrations in all of the devolved policy areas.[52] DIT also has to work closely with the devolved administrations to inform trade policy development, to agree a UK trade framework for future trade agreements in the devolved administrations and on the Trade Bill.[53]

26. Defra explained that devolution is one of a number of workstreams that cut across the individual workstreams and that the Department has formal structures in place for regular contact with the devolved administrations. It requires all workstreams to be able to account for the implications and impact of devolution. In each of the devolved policy areas, Defra told us it had undertaken a "deep dive" over a two-day workshop to work through the type of framework that would be needed: whether it needed legislative backing or whether a memorandum of understanding would be sufficient, or if a degree of regulatory divergence between the UK nations would be acceptable. Specific examples include ongoing discussions in the future farming policy arena over frameworks for food labelling and geographical indications (the protection of names for geographically based food products, such as Dundee cake and Melton Mowbray pork pies). Defra told us that the devolved administrations regarded its engagement with them as "exemplary".[54]

27. DIT told us that it had consulted with the devolved administrations in the development of the Trade Bill. The Department works closely with Invest Northern Ireland, the Welsh Government and Scottish Enterprise and Development International to ensure they are working together on trade missions and bringing inward investment to the whole of the UK. We asked DIT why none of its regional offices was located in Wales or Scotland. DIT explained that trade promotion is a concurrent power (i.e. shared between the UK government and the devolved administrations). DIT told us that its staff liaise closely with Welsh Government offices in Wales. Although DIT has no offices outside England, DIT told us that its staff frequently travel to Scotland and work very closely with counterparts in each of the nations with the aim of bringing investment to the whole of the UK. The reformed Board of Trade also covers the whole of the UK and the Secretaries of State for the devolved administrations are advisers to the Board.[55]

The regional and sectoral impacts of Brexit

28. We challenged DIT on its understanding of the regional and sectoral impacts of Brexit on inward investment and jobs and industry's ability to trade smoothly. We asked

51 Qq 84, 85, 92 and 97 (DIT)
52 C&AG's Report (Defra), p 24
53 C&AG's Report (DIT), p 27
54 Qq 64–65 (Defra)
55 Qq 89–92 (DIT)

about the assessments the Department had made of the impact on different business sectors and regions of different trade deal scenarios.[56] The Department explained that the assessments are preliminary and refused to be drawn on whether they would be published when completed, saying it was a decision for Government. It also said that there is analysis going on across government with input from the Department's analysts, looking at the implications for inward investment and exports of different policy decisions and of potential outcomes of the negotiation.[57]

29. We asked specifically about the Department's engagement with the automotive industry and the supply chain issues that have been raised by companies in that sector.[58] The Department told us that it works closely with BEIS on the automotive and other sectors and has developed preliminary assessments for this sector. The Department uses its automotive sector teams in 108 countries to talk to potential inward investors and BEIS is responsible for developing the industrial strategy and assessing the potential impact on jobs in the UK of the different scenarios.[59] HMRC leads on customs and the Department works closely with it to help in assessing the implications of different scenarios on the automotive sector and the supply chain.[60]

30. We questioned whether the Department was doing enough to engage businesses in its work on Brexit. The Department explained that it has over 250 international trade advisors spread over England in 18 regional offices, whose job it is to talk to local business. The Department also works with the Chambers of Commerce, Local Economic Partnerships and trade bodies and sector groups. It has developed a digital portal great.gov.uk which is a one-stop shop for exporters, aimed at providing information and opportunities to potential exporters.[61]

31. We challenged the Department on its decision to reduce the number of trade advisors in London and whether, as an alternative, the British Chambers of Commerce are being used effectively. The Department acknowledged that although it worked with trade and industry organisations, it needs to get better and smarter at working with them.[62] The Department also acknowledged that it needs to better understand small businesses and the specific issues they face when trying to export and whether or not they use the digital portal. The Department said that it needs to have a better offer for medium-sized companies on the digital portal.[63]

56 Qq 9, 11–14 (DIT)
57 Q 19 (DIT)
58 Qq 7 and 13 (DIT)
59 Qq 7 and 15 (DIT)
60 Q 9 (DIT)
61 Qq 83–86 and 96 (DIT)
62 Q 97 (DIT)
63 Qq 86 and 88 (DIT)

Formal minutes

Wednesday 25 April 2018

Members present:

Meg Hillier, in the Chair

Bim Afolami	Anne Marie Morris
Sir Geoffrey Clifton-Brown	Bridget Phillipson
Chris Evans	Gareth Snell

Draft Report (*Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 31 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Thirty-seventh of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 30 April 2018 at 3.30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Implementing EU Exit: Department for International Trade inquiry publications page and the Implementing EU Exit: Department for Environment, Food and Rural Affairs inquiry publications page of the Committee's website.

Wednesday 7 March 2018

Antonia Romeo, Permanent Secretary, and **Crawford Falconer**, Second Permanent Secretary and Chief Trade Negotiation Adviser, Department for International Trade Q1–97

Wednesday 7 March 2018

Clare Moriarty, Permanent Secretary, **David Kennedy**, Director General for Food, Farming, Animal and Plant Health, and **Sonia Phippard**, Director General for Marine, Natural Environment and Rural, Department for Environment, Food and Rural Affairs Q1–70

Published written evidence

The following written evidence was received and can be viewed on the Implementing EU Exit: Department for International Trade inquiry publications page and the Implementing EU Exit: Department for Environment, Food and Rural Affairs inquiry publications page of the Committee's website.

EUD numbers are generated by the evidence processing system and so may not be complete.

1 Chartered Institute of Environmental Health (EUD0001)

List of Reports from the Committee during the current session

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)
Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)

Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875
Twenty-Third Report	Alternative Higher Education Providers	HC 736
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793
Thirtieth Report	Academy schools' finances	HC 760
Thirty-First Report	The future of the National Lottery	HC 898
Thirty-Second Report	Cyber-attack on the NHS	HC 787
Thirty-Third Report	Research and Development funding across government	HC 668
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687
Thirty-Fifth Report	Rail franchising in the UK	HC 689
Thirty-Sixth Report	Reducing modern slavery	HC 886
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347