



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Department for Transport**

# Implementing the UK's Exit from the European Union

## Key facts

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**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

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**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

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**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.

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**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

<b>Mode of transport</b>	<b>Summary of work streams</b>
Aviation	<p>Six work streams covering:</p> <ul style="list-style-type: none"> <li>● air traffic management systems;</li> <li>● the air service agreement with the European Union (EU);</li> <li>● future access to the European Aviation Safety Agency;</li> <li>● air service agreements with other countries;</li> <li>● the future of security regimes; and</li> <li>● UK participation in the EU-wide emissions trading scheme.</li> </ul>
Roads	<p>Four work streams covering:</p> <ul style="list-style-type: none"> <li>● rights for UK private motorists to drive in the EU;</li> <li>● rights for UK hauliers to carry goods in the EU;</li> <li>● rights for UK bus and coach companies to carry passengers in the EU; and</li> <li>● motor insurance and frictionless travel to the Green Card free zone.</li> </ul>
Maritime	<p>Two work streams covering:</p> <ul style="list-style-type: none"> <li>● the Marine Equipment Directive; and</li> <li>● future access to the European Maritime Safety Agency.</li> </ul>
Vehicles	<p>Two work streams covering:</p> <ul style="list-style-type: none"> <li>● vehicle type approval for manufacturers; and</li> <li>● emissions and manufacturers' CO<sub>2</sub> targets.</li> </ul>
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"> <li>● funding for projects in the Connecting Europe Facility, an EU-funding instrument that targets infrastructure investment;</li> <li>● Operation Stack, the plans to manage traffic congestion on the M20 motorway; and</li> <li>● transport infrastructure at the border.</li> </ul>

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).

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## 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

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**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.