



National Audit Office

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## Report

by the Comptroller  
and Auditor General

Exiting the European Union

# The cost of EU Exit preparations

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Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service. The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. 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 government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2018 the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £539 million.

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National Audit Office

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Exiting the European Union

# The cost of EU Exit preparations

Report by the Comptroller and Auditor General

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to be printed on 4 March 2020

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Gareth Davies  
Comptroller and Auditor General  
National Audit Office

3 March 2020

In response to Parliamentary interest this report looks at how much government departments spent on their activities preparing for the UK's exit from the EU on 31 January 2020 and what the money was spent on.

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## The National Audit Office's (NAO's) programme of work on the UK's exit from the EU

The UK left the EU on 31 January 2020. During the period following the referendum in 2016 departments had to prepare for multiple scenarios, with shifting timetables and great uncertainty. It was a task that had little or no historical precedent. The NAO's work examining the preparations made by departments – spanning some 27 reports – has set out the scale of the work undertaken.

Our back catalogue of work is set out in Appendix Two.

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# This report looks at how much government departments spent on preparing for the UK to leave the EU

## Background

Following the June 2016 referendum, departments undertook work to prepare for the UK's exit from the European Union (EU Exit). These preparations focused on the policies, legislation, systems, processes and people required to be in place following the UK's exit from the EU.

Departments identified more than 300 work streams to support the EU Exit process. Departments planned for both 'deal' and 'no deal' scenarios.<sup>1</sup> Between 2016-17 and 2019-20, HM Treasury made available £6.3 billion of additional funding to cover the cost of government's preparations for EU Exit. Departments were expected to live within their existing budgets as far as possible.

Departments initially prepared for the UK to leave the EU on 29 March 2019. This date was then extended to 12 April 2019, and subsequently to 31 October 2019 and to 31 January 2020 – the date the UK left the EU. Departments had to adjust their plans to respond to these extensions, which has come at a cost.

There is Parliamentary and public interest in how much government has spent on preparing for EU Exit. In January 2019, the Committee of Public Accounts underlined the need for transparency to allow the public and Parliament to understand the impact of EU Exit on the public finances.<sup>2</sup> To date, government has not published an overall figure of how much it has spent preparing for EU Exit.

## Scope of the report

This report looks at how much government departments spent on their activities preparing for EU Exit and what departments spent money on. It excludes future costs, such as the cost of the financial settlement or costs associated with establishing a new relationship with the EU, and costs not directly related to the preparations, such as indirect impacts on the cost of departments' usual activities.

**This report does not come to a value-for-money conclusion on government's spend on preparing for EU Exit.**

We asked all 18 central government departments to provide us with information on the cost of the preparation activities carried out between June 2016 and 31 January 2020.

**There are some limitations in the information departments have provided and, as a result, the figures included in this report represent a minimum estimated level of spend which can be attributed to preparations for EU Exit.** These limitations include: the availability of actual cost information, particularly for apportionment of staff time or overheads; the overlap between EU Exit work and business as usual; and the completeness and quality of historical cost information.

More details on our audit approach, our evidence base and its limitations are available in Appendix One of this report.

<sup>1</sup> A 'no deal' EU Exit was a situation in which the UK left the EU without a withdrawal agreement and framework for a future UK-EU relationship in place.

<sup>2</sup> HC Committee of Public Accounts, *Whole of Government Accounts*, Seventy-Fourth Report of Session 2017-19, HC 464, January 2019.

## Overview

### Part One: Overall cost of government's EU Exit preparations

Departments spent at least £4.4 billion on EU Exit preparations between June 2016 and 31 January 2020 (page 7).

The scale of preparations and the associated spending varied greatly between departments (page 8).

All departments undertook activities to prepare for EU Exit, with six departments accounting for more than 70% of all identified spending (pages 9 and 10).

### Part Two: How these costs were funded

HM Treasury allocated specific funding to departments for preparations for EU Exit.

By 31 January 2020, departments reported spending £1 billion less than their 2019-20 allocation for EU Exit preparations (page 11).

Some departments have had to find money, totalling £301 million, from existing budgets to fund EU Exit work (page 12).

Departments allocated £442 million to their arm's-length bodies to prepare for EU Exit (page 13).

### Part Three: What departments have spent money on

Departments spent at least £1.9 billion on EU Exit staffing, with more than 22,000 staff at the peak in October 2019 (pages 15 to 17).

Since June 2016, departments spent at least £288 million on expertise and external advice since June 2016 (page 18).

Departments spent at least £1.5 billion on activities such as building new systems, advertising and other services (page 19).

Local government organisations received £104 million in funding to prepare for EU Exit (page 20).

Departments spent money on preparing for both 'deal' and 'no deal' scenarios, and have incurred additional expenditure on preparations in advance of multiple potential EU Exit dates (pages 21 to 23).

Departments have reported £92 million in losses relating to EU Exit to Parliament so far (page 24).

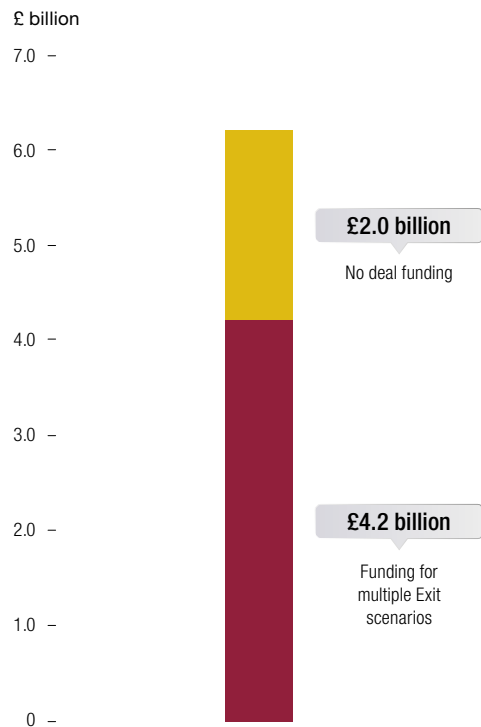
### Part Four: Central oversight and transparency

HM Treasury data show a limited picture of overall EU Exit spending and little information was put in the public domain (page 25).

## Key facts

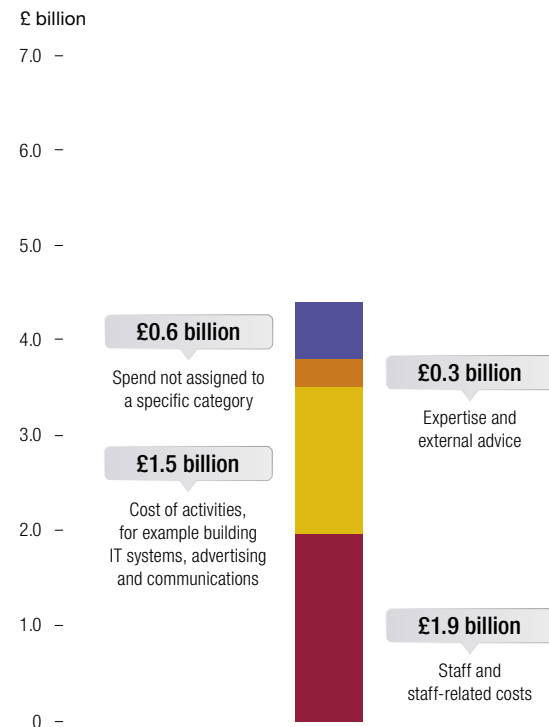
**£6.3 billion**

made available to government including devolved administrations to prepare for EU Exit, between June 2016 and 31 March 2020



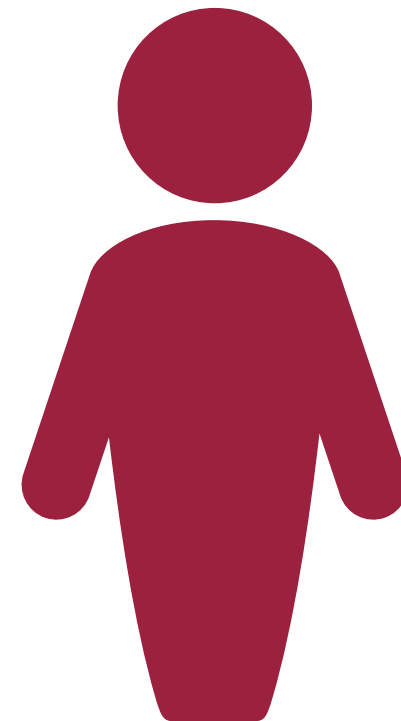
**£4.4 billion**

minimum amount government departments reported they had spent preparing for EU Exit between June 2016 and 31 January 2020



**22,000**

peak number of staff working on EU Exit preparations



**Note**

1 Numbers may not sum to the total due to rounding.



**Part One: Overall cost of government's EU Exit preparations**

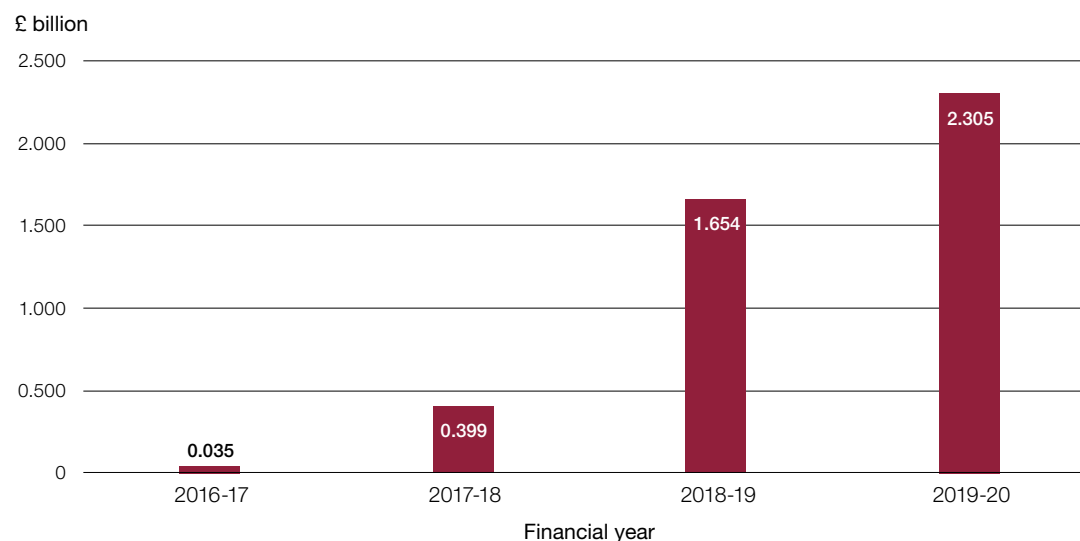
## Departments spent at least £4.4 billion on EU Exit preparations between June 2016 and 31 January 2020

All departments undertook work to prepare for the UK's exit from the EU. Departments' cost information indicates that at least £4.4 billion was spent on EU Exit preparations between June 2016 and 31 January 2020. This is less than 1% of total departmental expenditure over the period.

This figure is based on unaudited cost information provided to us by all 18 government departments and two non-ministerial departments.<sup>1</sup> Departments informed us the figures they provided omitted some costs which they could not estimate, for example an apportionment of staff costs for staff who had worked only partially on EU Exit. While the full cost of government's EU Exit preparations is likely to be higher than this figure, this figure reflects the majority of departments' spend.

More details on our audit approach and evidence base are available in **Appendix One** of this report.

**Total amount spent by departments on preparations for EU Exit between June 2016 and 31 January 2020**



**Note**

1 2019-20 spend includes actual spend between 1 April 2019 and 31 October 2019, and a mix of actual and forecast information from departments for 1 November 2019 to 31 January 2020.

Source: National Audit Office analysis of departmental cost information

**Note**

1 The two non-ministerial departments included are the Competition & Markets Authority and the Food Standards Agency. They were included as both received specific allocations from HM Treasury for EU Exit preparations from 2017-18 onwards.

## The scale of preparations and the associated spending varied greatly between departments

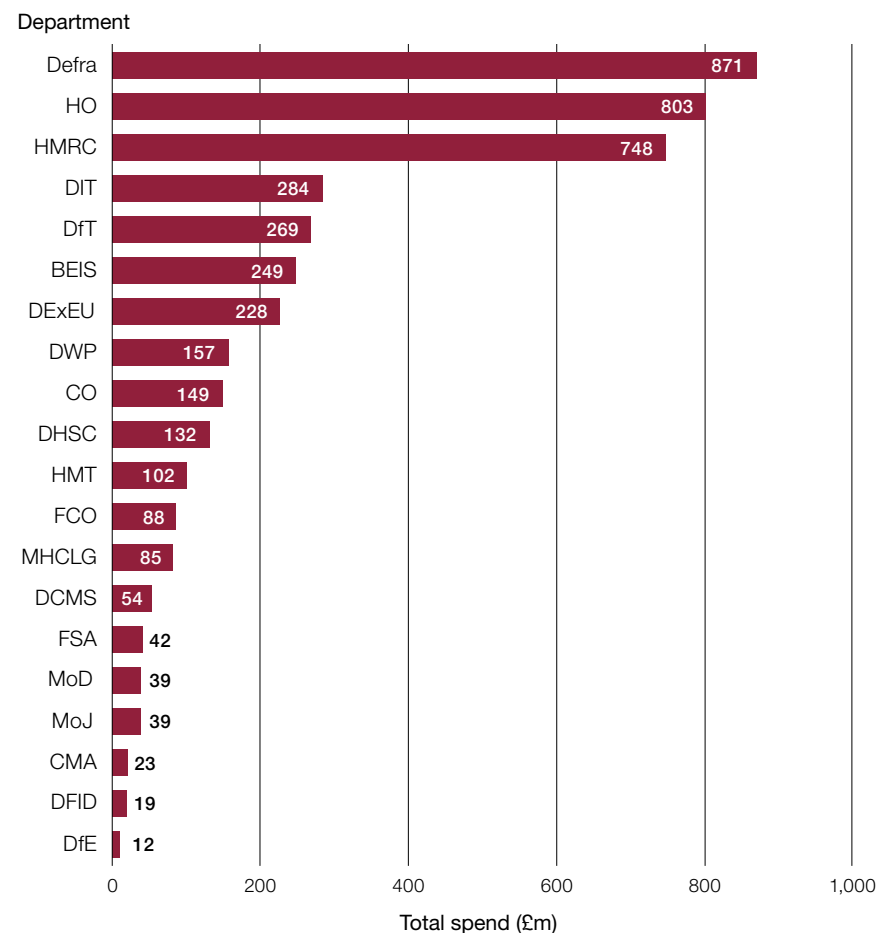
Departments' preparations included more than 300 work streams. These work streams varied in size and complexity and the number changed over time.

The nature and scale of preparation required on individual work streams varied significantly. Departmental spending therefore did not directly correlate to number of work streams. For example, the Department for Environment, Food & Rural Affairs (Defra) spent £871 million and had 46 work streams, while the Department for Business, Energy & Industrial Strategy (BEIS) spent £249 million and had 59 work streams.

Three departments – Defra, the Home Office (HO) and HM Revenue & Customs (HMRC) – have collectively spent more than half of government's total EU Exit spending, at around £2.4 billion.

Departmental spending information includes amounts spent by both the core department and other associated bodies where this information was available. For example, HMRC's spending information includes the Border Delivery Group, which is hosted by HMRC and reports jointly to the Chief Executive of HMRC and the second Permanent Secretary for the Home Office.

Amount spent by departments on preparations for EU Exit between June 2016 and 31 January 2020

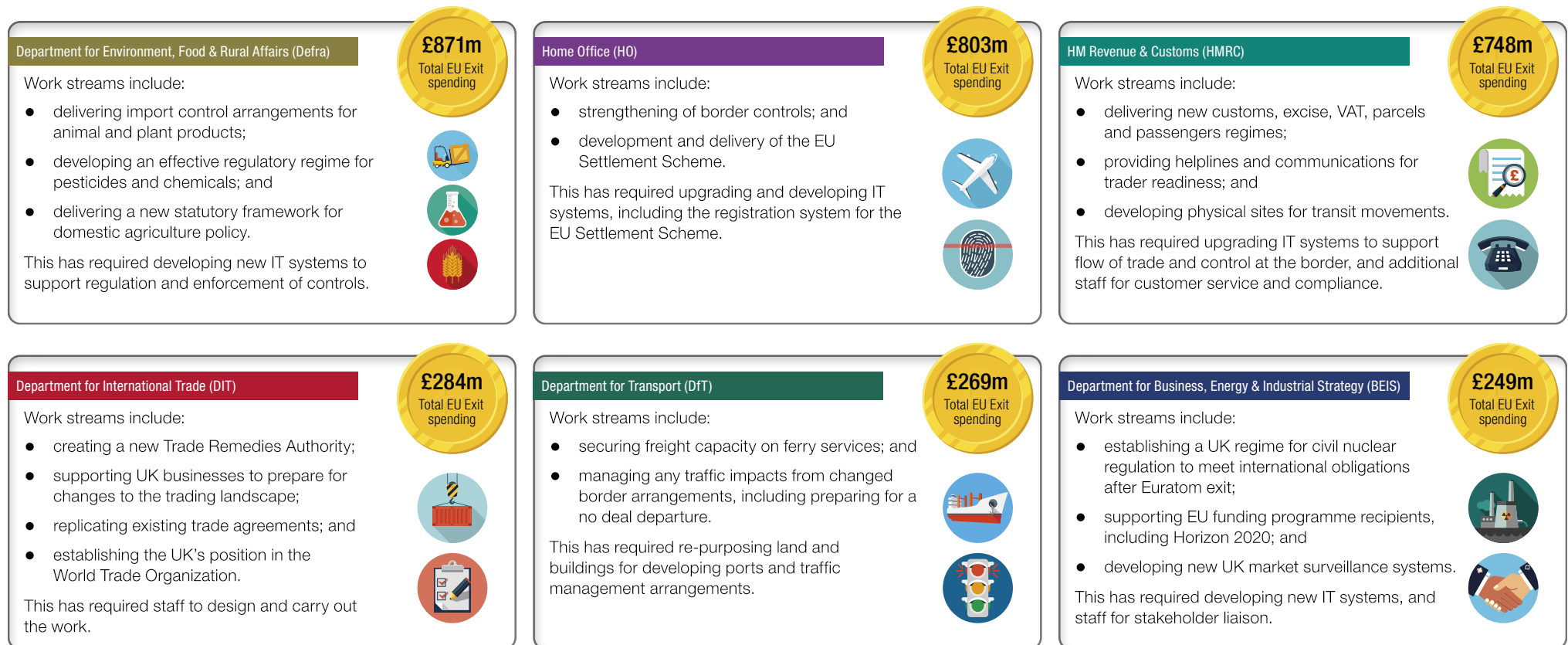


**Note**

- 2019-20 spend includes actual spend between 1 April 2019 and 31 October 2019, and a mix of actual and forecast information from departments for 1 November 2019 to 31 January 2020.
- CMA is the Competition & Markets Authority, FSA is the Food Standards Agency.

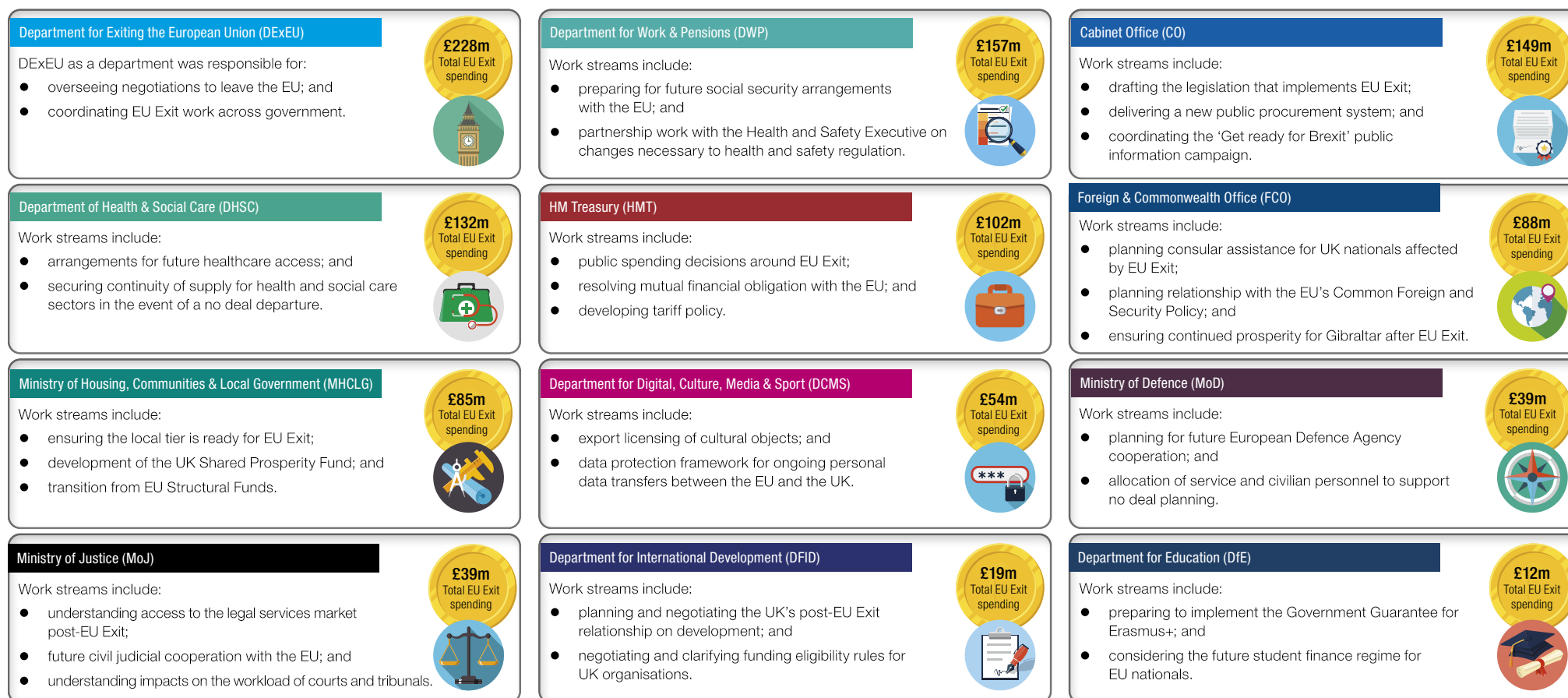
Source: National Audit Office analysis of departmental cost information

## Six departments accounted for more than 70% of all identified spending on EU Exit preparations



Source: National Audit Office analysis of departmental cost and activity information

## The remaining departments also undertook a range of activities to prepare for EU Exit



Source: National Audit Office analysis of departmental cost and activity information

**Part Two: How these costs were funded**

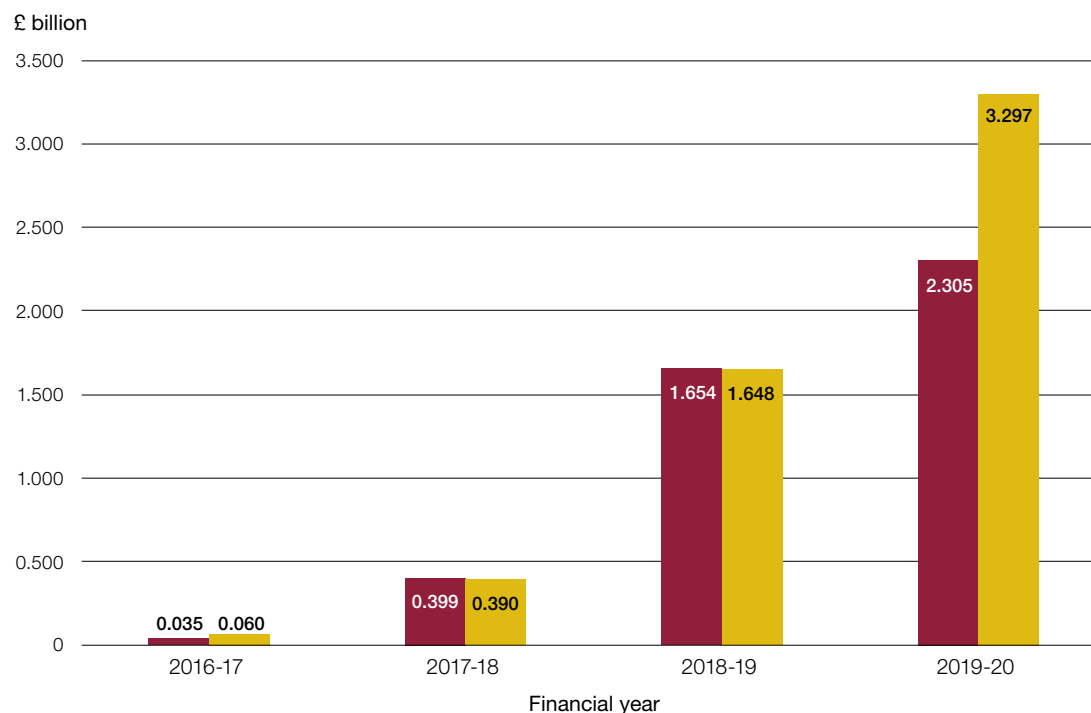
By 31 January 2020, departments reported spending £1 billion less than their 2019-20 allocation for EU Exit preparations

HM Treasury allocated specific funding to departments for each financial year from 2016-17 to fund preparations for EU Exit. Departmental spending overall was broadly in line with these additional funding allocations in 2016-17, 2017-18 and 2018-19.

The allocations for 2019-20 cover the whole year to March 2020. As at 31 January 2020, the date the UK left the EU, departments reported that they had spent £1 billion less than the amount allocated for the financial year as a whole.

Departments may spend additional amounts in February and March on EU Exit-related activities, for example the Home Office on the EU Settlement Scheme. Overall, by the end of the financial year departments are likely to underspend against the 2019-20 allocation.

Total spend and allocations on preparations for EU Exit, 2016-17 to 2019-20



■ Spend ■ Allocation

**Note**

1 2019-20 spend includes actual spend between 1 April 2019 and 31 October 2019, and a mix of actual and forecast information from departments for 1 November 2019 to 31 January 2020. Departments may spend additional amounts in February and March 2020. Allocations for 2019-20 reflect allocations for the whole financial year.

Source: National Audit Office analysis of departmental cost and HM Treasury allocation information

**Note**

Allocations shown are additional money HM Treasury has made available specifically for EU Exit preparations. Throughout this report we have calculated allocations figures using public announcements and information from HM Treasury. The total of allocations shown in the graph is £5.4 billion. Not shown are £0.1 billion of allocations to devolved administrations and other bodies outside of the main government departments, and £0.7 billion of available funding which was not allocated. The total amount made available for EU Exit was £6.3 billion (total does not sum due to rounding; see page 22). Departmental allocations figures do not include funding transferred from other departments and from other budgets.

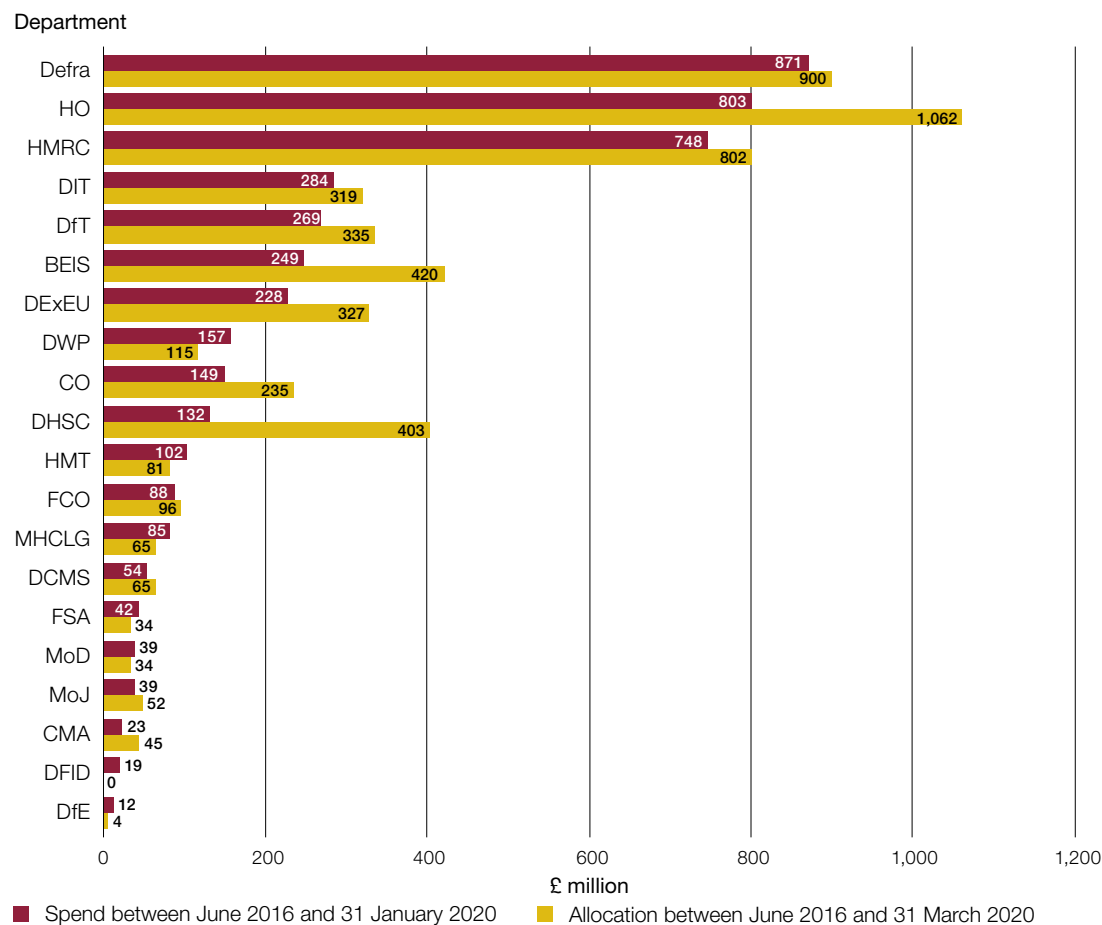
## Some departments have had to find money, totalling £301 million, from existing budgets for EU Exit work

Across departments there were underspends and overspends against allocations, reflecting for example the different nature of their preparations. Many departments were given funding specifically for preparations in case the UK left the EU without a deal in October 2019 (£1.2 billion in total across all 20 departments in this report). Since this did not occur, contingency plans were not fully put into action.

In 2017-18, 11 of the 18 departments spent more than their allocation, and in 2018-19 12 departments did. In these cases, departments have funded some of their preparation spending from existing budgets. While EU Exit spending is small compared to overall government spending (1% of planned expenditure in 2019-20), it came against a backdrop of real-terms budget reductions for some departments. The total amount funded from within existing departmental budgets was £301 million.

Departments released money from existing departmental budgets by taking various approaches to reprioritising their business-as-usual work. For example, in the Foreign & Commonwealth Office, front-line directorates were asked to identify 10% savings, part of which was then used to accommodate EU Exit work.

Spend and allocations by department on preparations for EU Exit



**Notes**

- 2019-20 spend includes actual spend between 1 April 2019 and 31 October 2019, and a mix of actual and forecast information from departments for 1 November 2019 to 31 January 2020. Departments may spend additional amounts in February and March 2020. Allocations reflect funding to whole department groups, including arm's-length bodies, and include the whole of the 2019-20 financial year. See the note on page 11 for a reconciliation of the allocations to total funding made available.
- CMA is the Competition & Markets Authority, FSA is the Food Standards Agency.

## Departments allocated £442 million to their arm’s-length bodies to prepare for EU Exit

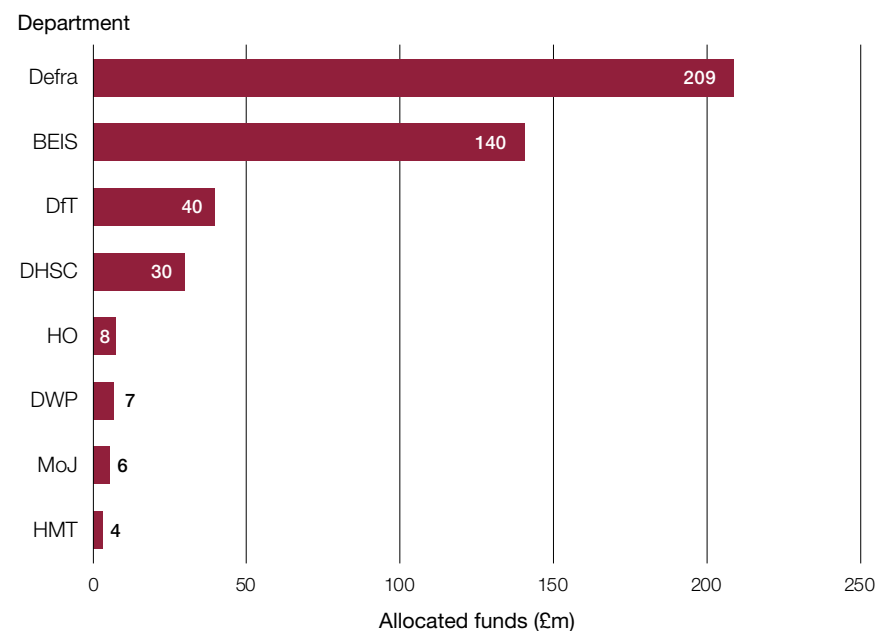
Many arm’s-length bodies (ALBs) have undertaken work to help departments prepare for EU Exit. Since 2016, departments have allocated a total of £442 million to ALBs to fund their EU Exit preparations.

More than 60% of this funding was provided for preparation activities in the 2019-20 financial year. Eight government departments told us they had allocated funding to their ALBs, with three departments accounting for more than 85% of the funding allocated to ALBs since June 2016.

Some ALBs were allocated substantial sums for their preparation activities. The Department for Business, Energy and Industrial Strategy (BEIS) passed on around a third of its EU Exit allocations to its ALBs and the Department for Environment, Food & Rural Affairs (Defra) around a quarter. Defra allocated £111 million to the Rural Payments Agency, the body responsible for administering the EU’s Common Agricultural Policy schemes in England. BEIS allocated £87 million to the UK Space Agency to address how the UK’s participation in EU space programmes would be affected in a no deal scenario.

Defra, BEIS, the Department for Transport (DfT), the Department for Work & Pensions (DWP) and the Ministry of Justice (MOJ) included their ALBs’ spending as part of their overall spend figures, so any underspending or overspending against these allocations is included in the departmental figures. However, across government the information reported is not complete and ALBs may have underspent against their allocations from departments or funded EU Exit preparations from their existing budgets.

Allocations to arm’s-length bodies for preparations for EU Exit, 2016-17 to 2019-20



**Notes**

- 1 The presented figures show departments’ allocations to ALBs, not ALBs’ actual spend on EU Exit preparations. Numbers may not sum to the total due to rounding.
- 2 The names of the departments in full are: the Department for Environment, Food & Rural Affairs (Defra); the Department for Business, Energy & Industrial Strategy (BEIS); the Department for Transport (DfT); the Department for Health & Social Care (DHSC); the Home Office (HO); the Department for Work & Pensions (DWP); the Ministry of Justice (MOJ); and HM Treasury (HMT).

Source: National Audit Office analysis of departmental cost information

**Part Three: What departments have spent money on**

## What departments have spent money on

We asked departments to report to us their cost information under three categories. While staff costs made up the majority of categorised spend on EU Exit preparations (51%) overall, the balance of spending between the categories varied between departments.

The following sections look at the categories in further detail.

**£1.9  
billion**



**Staff and staff-related costs (pages 15 to 17)**

We asked departments to report to us the cost of employing staff working on their EU Exit preparations. We asked departments to include both staff working in central teams and staff where EU Exit formed only a part of their role.

We asked departments to provide us with the full cost of employing these staff (including costs such as overtime, travel and training) as well as an estimate of the overheads associated with employing these staff (including IT and estates costs).

**£288  
million**



**Expertise and external advice (page 18)**

We asked departments to tell us how much they had spent on expertise and external advice, including consultancy, legal advice and other professional services.

**£1.5  
billion**



**Cost of activities (pages 19 and 20)**

We asked departments to report to us how much they had spent on activities such as building new systems and infrastructure, advertising and communications, and other procurement.

**Note**

<sup>1</sup> This analysis excludes £0.6 billion of spend departments could not assign to the specific cost categories we asked them to report against.

Source: National Audit Office analysis of departmental cost information



## Departments spent at least £1.9 billion on EU Exit staffing, in the context of a growing civil service

**Departments reported staff costs of £1.9 billion for people working on EU Exit preparations.** As at the end of March 2019, departments collectively reported a number of staff working on EU Exit equivalent to 5% of their total workforce. These roles have been filled through both internal moves and external recruitment.

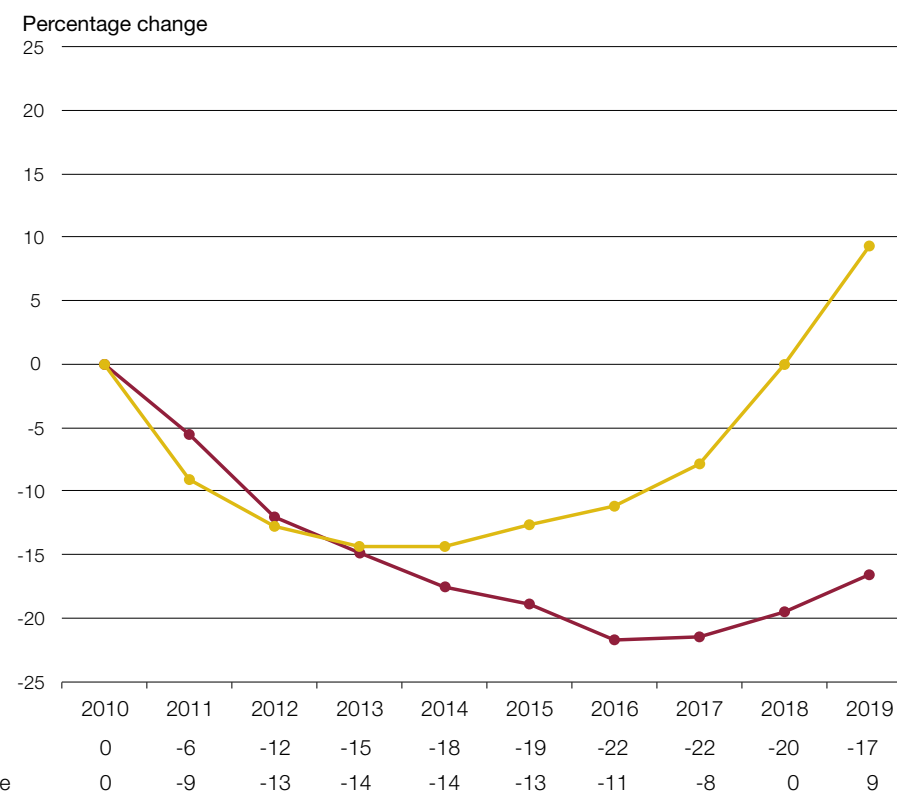
**The increase in staff for EU Exit roles took place at the same time as an expansion in civil service numbers.** Staff numbers across the civil service as a whole have increased every year since 2016, reversing a previous downward trend. Growth has been proportionately more rapid in the most senior grades of the civil service. The total number of senior civil servants is now 9% higher than in 2010.

**The civil service has changed its balance of skills over the period in which it has been preparing for EU Exit.** There has been an increase in the number of staff with specific skills, including policy (35% increase since 2016) and project delivery (26% increase since 2016). In 2017 we reported that these two skills were the most in demand for EU Exit roles at that time.<sup>1, 2, 3</sup>

### Notes

- 1 EU Exit is likely to have had both direct and indirect impacts on overall staffing and skills, but is not the only factor contributing to the increase. For example, we also reported in 2017 that government had separately identified that it needed 2,000 additional staff with digital skills within five years.
- 2 Comptroller and Auditor General, *Implementing the UK's Exit from the European Union – People and skills: The role of the centre of government*, Session 2017-19, HC 626, National Audit Office, December 2017.
- 3 Comptroller and Auditor General, *Capability in the civil service*, Session 2016-17, HC 919, National Audit Office, March 2017.

Cumulative percentage change in number of staff in the civil service and senior civil service, compared to 2010



### Notes

- 1 Numbers are as at 31 March in each year.
- 2 *Civil Service Statistics* measure senior civil service level employees, including a number of health professionals, military personnel, and senior diplomats that are of equivalent responsibility but are not part of the Senior Civil Service.
- 3 This analysis excludes Public Health England, which was only included in statistics from 2014 onwards.

Source: National Audit Office analysis of *Civil Service Statistics*, published by the Office for National Statistics up to 2018 and by the Cabinet Office in 2019

## More than 22,000 people were working on EU Exit at the peak in October 2019 and 18,000 in March 2019

Departments reported that they increased the number of staff working on EU Exit over time. The demand for EU Exit staff increased as departments improved their understanding of the work required and funding was confirmed. Departmental records of staffing also improved over time.

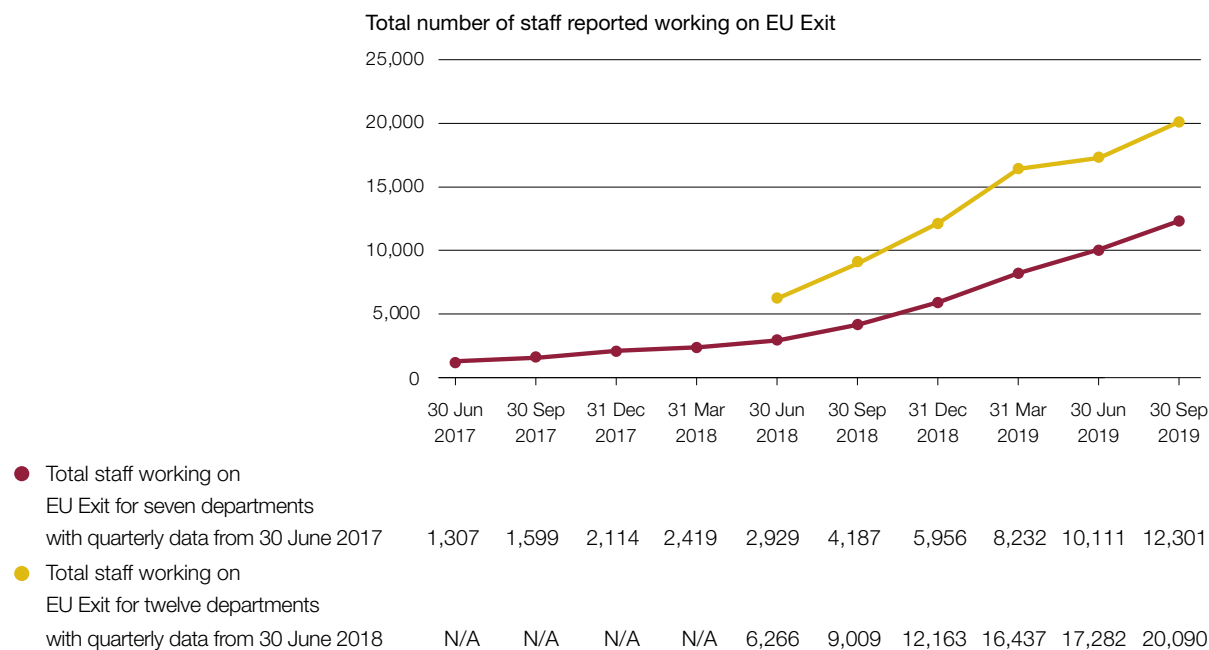
The information provided by departments shows that:

- across 18 departments, the total number of staff working on EU Exit was at least 18,000 by 31 March 2019;
- staff numbers increased to more than 22,000 at 31 October 2019; and
- across the 15 departments which provided data on the senior civil service, 12% of all senior civil servants were working in EU Exit roles on 31 March 2019. This compares to 5% of staff as a whole across all departments.

Based on staff numbers at 31 March 2019, if the EU Exit workforce was a department it would be the sixth largest in Whitehall, larger than the Department for Transport (DfT).

Departments maintained staff in EU Exit posts after October 2019 until there was clarity on whether the Withdrawal Agreement would be ratified for the UK to leave in January 2020. Beyond this, in the 2019 Spending Review, the government has set aside £2 billion in 2020-21 for the additional effort required by departments to establish a new relationship with the EU.

EU Exit staff numbers between June 2017 and September 2019 for departments with quarterly information



**Note**

1 This figure shows the movement in EU Exit staff numbers over time but not the full peak numbers for March and October 2019 as not all departments could provide quarterly information. Some departments also could not provide staff information for the 2016-17 and 2017-18 financial years. Most departments were only able to provide information on staff working exclusively on EU Exit and the reported figures will not reflect other staff who have spent part of their time on EU Exit work or whose usual work has been affected by EU Exit.

Source: National Audit Office analysis of departmental information on staff numbers

## More than 1,500 people were moved within government to support the response to a possible no deal exit

In advance of March and October 2019, the Cabinet Office managed a process of cross-government staff loans to help meet demand in the event of a no deal exit. In October, five departments which were less affected by EU Exit identified staff who could be loaned (see figure).

Three groups of staff who work across government also identified staff who could move to areas of need. These groups were:

- the Civil Service Fast Stream;
- cross-government functions; and
- the Surge and Rapid Response Team in HM Revenue & Customs (HMRC), created to improve operational resilience across the civil service.

Between them, the five departments and these groups loaned staff to 15 other parts of government. Overall, in October 2019 more than 1,500 people were moved across government.

A similar process had been undertaken in preparation for EU Exit in March 2019. In that process a smaller number of people (1,300) were loaned out.

The costs for staff loans of less than six months are not reflected in the staff costs reported by departments which received staff.

### Staff loans in October 2019 by five departments less affected by EU Exit

**MoD** loaned 339 staff to departments including MHCLG, DHSC and Defra

**DWP** loaned 335 staff to departments including HMRC and FCO

**MoJ** loaned 190 staff to departments including HO and DfT

**DFID** loaned 165 staff to departments including DExEU and DIT

**DfE** loaned 135 staff to departments including Defra and HO

Source: National Audit Office analysis of Cabinet Office EU Exit staffing data

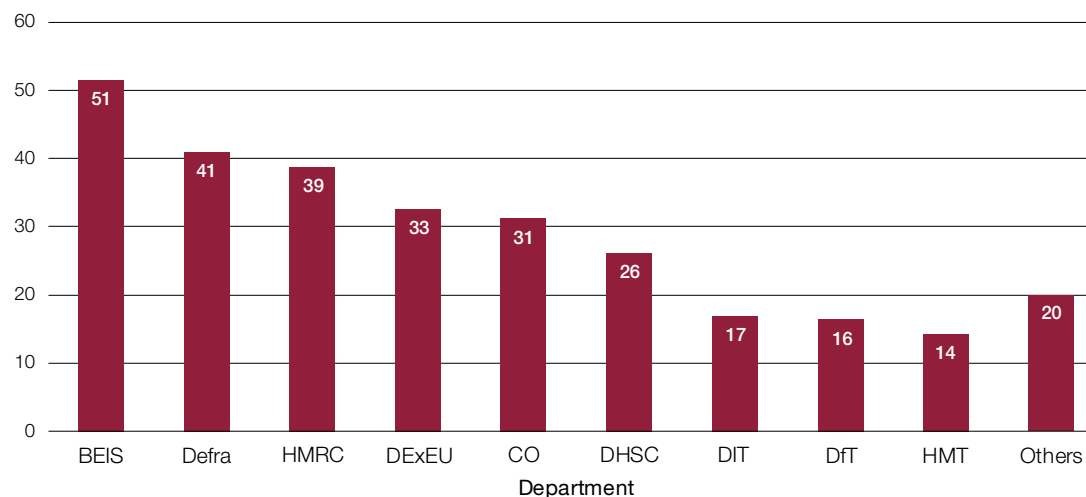
## Since June 2016, departments have spent at least £288 million on expertise and external advice

Our report on *Departments' use of consultants to support preparations for EU Exit* (June 2019) noted that government had long-standing skills shortages in areas required for EU Exit, such as project delivery and commercial skills.<sup>1</sup> Departments used consultants both to fill specific skills gaps and to meet immediate staffing needs. The figure of £288 million reported here is larger than the estimate reported in our previous report, which only covered the period from the EU referendum in June 2016 to the end of our fieldwork in April 2019.

Spend on expertise and external advice by some departments has been a substantial part of their total spend on preparations for EU Exit. The Department of Health & Social Care (DHSC) spent 20% of its total spend on EU Exit on expertise and external advice. The main driver of this cost to DHSC was ensuring continuity of supply of medicines and medical devices in the event of a no deal exit.

Amount spent by departments on expertise and external advice

Spend on expertise and external advice (£m)



**Notes**

- 1 The names of the departments in full are: the Department for Business, Energy & Industrial Strategy (BEIS); the Department for Environment, Food & Rural Affairs (Defra); HM Revenue & Customs (HMRC); the Department for Exiting the EU (DExEU); the Cabinet Office (CO); the Department for Health & Social Care (DHSC); the Department for International Trade (DIT); the Department for Transport (DfT); and HM Treasury (HMT).
- 2 'Others' includes: the Competition & Markets Authority; the Department for Digital, Culture, Media & Sport; the Department for Education; the Department for International Development; the Department for Work & Pensions; the Food Standards Agency; the Foreign & Commonwealth Office; the Home Office; the Ministry of Housing, Communities & Local Government; and the Ministry of Justice.
- 3 Numbers may not sum to the total due to rounding.

Source: National Audit Office analysis of departmental cost information

**Note**

- 1 Comptroller and Auditor General, *Departments' use of consultants to support preparations for EU Exit*, Session 2017-2019, HC 2105, National Audit Office, June 2019.
- 2 The figure for external expertise includes where departments identified additional amounts paid to the Government Legal Department (GLD), which is external to individual departments but is a part of government. Eight departments identified spend with the GLD totalling £43 million.

## Departments have spent at least £1.5 billion on activities such as building new systems, advertising and other services

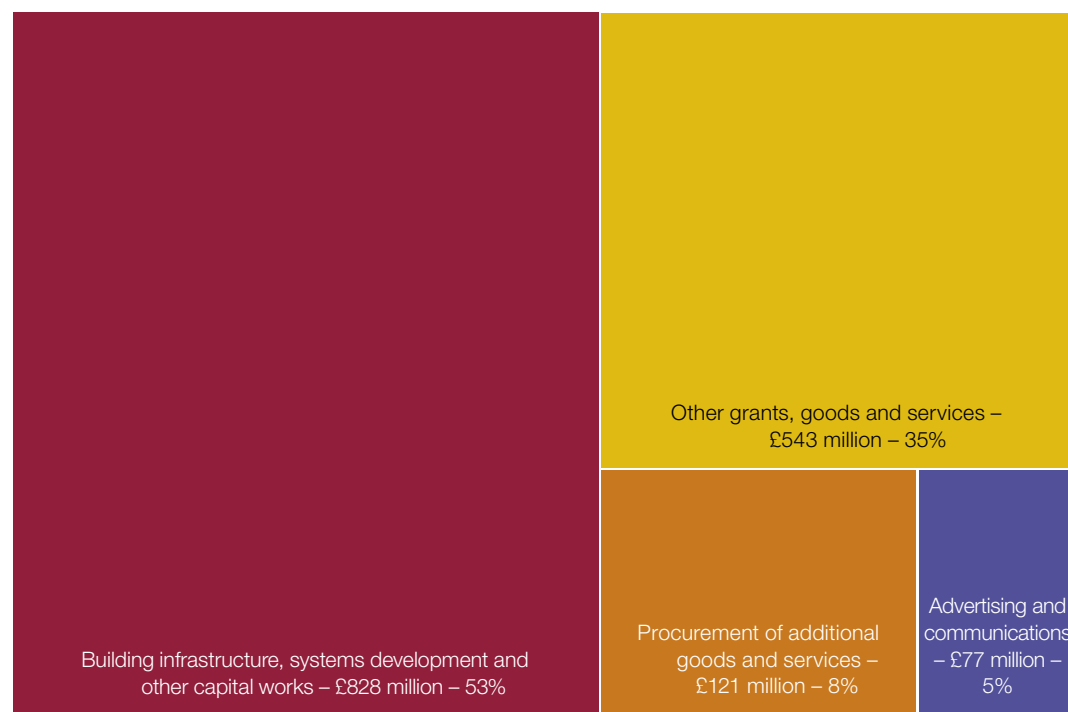
More than one third of departmental spending on EU Exit was devoted to activities such as building new systems and procurement of goods and services, for example on advertising and communications.

Spend on infrastructure accounted for £828 million of costs disclosed by departments. The Home Office saw the largest infrastructure spend at £283 million. This was used, for example, to design, build and test the EU Settlement Scheme solution, which will register and provide status to an estimated 3.5 million EU nationals.

Other major infrastructure spend included DfT’s spend on Operation Brock – the planned traffic management system to be used in Kent in the event of a no deal exit. Expenditure on Operation Brock was forecast to reach £69 million by the end of 2019-20.

Advertising and communications costs were not evenly spread across departments. While the majority of departments reported incurring no spend in this area, the Cabinet Office reported communications spend of £49 million, including funding for the ‘Get ready for Brexit’ campaign. This was examined in our report *EU Exit: The Get ready for Brexit campaign*.<sup>1</sup>

Amounts spent by departments on EU Exit activities by category, 2016-17 to 2019-20



**Note**

- 1 The category ‘Other grants, goods and services’ includes grants to local authorities (£104 million), a £33 million payment to Eurotunnel by the Department for Transport (DfT) and £40 million of grants relating to border policies, law enforcement, criminal justice and security by the Home Office.
- 2 Percentages may not sum due to rounding.

Source: National Audit Office analysis of departmental cost information

**Note**

1 Comptroller and Auditor General, *EU Exit: the Get ready for Brexit campaign*, Session 2019-20, HC 22, National Audit Office, January 2020.

## Local government organisations received £104 million in funding to prepare for EU Exit

Local authorities and other local government organisations play a key role in the delivery of many public services that might have been affected by a range of EU Exit scenarios. Local authorities therefore had to undertake their own activities to prepare for EU Exit, to mitigate the potential impacts on their services, supply chains and communities. Local areas with or near to a major air, land or sea port were particularly affected.

Departments reported they had allocated around £104 million to local authorities, ports, health authorities and other local organisations to support preparations.

The Ministry for Housing, Communities & Local Government (MHCLG) contributed the majority of the funding to support local areas, providing a total of £78.5 million. This funding was provided in eight specific allocations over four funding announcements. Most of the funding MHCLG made available related to the 2019-20 financial year.

The Home Office, DfT and Food Standards Agency also made funding available to local authorities to support their preparedness in specific policy areas.

There is no central information on how much local areas spent preparing for EU Exit. Local authorities may have spent money on preparations for EU Exit outside these allocations.

### EU Exit funding to local government

**£40 million** for all local authorities to spend on planning and strengthening their resources in 2018-19 and 2019-20 (announced 28 January 2019)

**£10 million** to help local authorities in 2019-20 with specific costs which may arise following EU Exit (announced 28 January 2019)

**£5 million** for teams in the Ministry of Housing, Communities & Local Government and Local Resilience Forums for preparations and supporting communities (announced 28 January 2019)

**£3.1 million** for local authorities with major ports (announced 20 February 2019)

An additional **£10 million** for local authorities to fund preparedness and response to EU Exit in 2019-20 (announced 3 August 2019)

An additional **£5 million** for local councils which either have or are near to a major air, land or sea port (announced 21 August 2019)

An additional **£4 million** for Local Resilience Forums (announced 21 August 2019)

A further **£27 million** of funding given to local authorities in various smaller allocations by the Home Office, MHCLG, Department for Transport and the Food Standards Agency

#### Note

1 The presented figures show funding allocated to local government rather than actual spend on EU Exit preparations.

Source: National Audit Office analysis of departmental cost information

## Departments spent money on preparing for both ‘deal’ and ‘no deal’ scenarios

Throughout the process of preparations for EU Exit, there has been uncertainty over the form it would take. Government asked departments to prepare for both the UK leaving the EU with a deal and without a deal (‘no deal’). Spending on a scenario that did not happen does not necessarily mean that money was ‘wasted’.

Most of the money allocated by HM Treasury over the period from 2016 to 2020 was to enable departments to prepare for all scenarios. Specific no deal funding was only made available in 2019-20. £1.2 billion of this funding was taken up and allocated to the 20 departments in this report.

For the most part, departments could not systematically separate spending between scenarios as most areas of work had elements that would be used in both scenarios. For example:

- The Department for International Trade has been required to build a replacement for the EU’s tariff database, to transmit data to HMRC for the calculation of duties due at the border. The tariff rates may change depending on the UK’s deal with the EU, but not the need for the system.
- Many departments have been required to prepare primary and secondary legislation to convert EU law into UK law at the point of EU Exit. This was required under all exit scenarios.

## Departments spent money on preparing for both ‘deal’ and ‘no deal’ scenarios *continued*

### HM Treasury EU Exit funding announcements and allocations

Funding	Amount (£m)	Date allocated	Years covered	Scenarios covered	Corresponding announcement
Initial funding to the Department for Exiting the EU, the Foreign & Commonwealth Office and the Department for International Trade	412	November 2016	2016-17, 2017-18, 2018-19, 2019-20	All scenarios	£412 million in Autumn Statement 2016
Tranche 1 – funding to 10 organisations	106	July 2017	2017-18	All scenarios	
Tranche 2 – funding to 11 organisations	161	November 2017	2017-18	All scenarios	£285 million in Spring Supplementary Estimates 2018
Spring Supplementary adjustment to 2017-18 funding	17	February 2018	2017-18	All scenarios	
Tranche 3 – funding to all departments	1,523	March 2018	2018-19	All scenarios	£1.5 billion in Autumn Budget 2017
Urgent requirements	25	During 2018-19 and 2019-20	2018-19, 2019-20	All scenarios	Not announced
Tranche 4 – funding to all departments	1,984	December 2018	2019-20	All scenarios	£1.5 billion in Autumn Budget 2017 + £0.5 billion in Budget 2018
Additional no deal funding	1,024 [934 allocated]	August 2019 onwards	2019-20	No deal only	£1.1 billion in Chancellor’s statement in July 2019
No deal reserve	1,000 [342 allocated]	August 2019 onwards	2019-20	No deal only	£1 billion in Chancellor’s statement in July 2019
<b>Total</b>	<b>6,252</b> <b>[5,505 allocated]</b>				

#### Note

- 1 The £5,505 million allocated includes £109 million of allocations to devolved administrations and other bodies outside of the main government departments featured in this report. It does not include a further £266 million provided to devolved administrations under the Barnett formula as a result of EU Exit allocations.
- 2 Numbers may not sum to the total due to rounding.

Source: National Audit Office analysis of HM Treasury allocation information



## Departments incurred additional spending on preparations in advance of multiple potential EU Exit dates

Departments have been required to start intensive preparations for a possible no deal exit twice, ahead of 29 March 2019 and 31 October 2019.<sup>1</sup>

Departments spent £1.8 billion on EU Exit preparations in the period from 1 April 2019 to 31 October 2019.

### Maintaining and mobilising no deal plans

Departments spent money between the end of March 2019 and October 2019 maintaining some no deal readiness, and scaling up other preparations that had been stood down after March. For example:

- DfT undertook a new procurement for ferry capacity to carry priority goods between the EU and the UK;
- DHSC continued the contracts it had in place to secure warehousing capacity for medicines. Contracts were originally put in place in December 2018 and January 2019 and were due to run for a 12-month period;<sup>2</sup> and
- departments remobilised staff to be ready to work in departmental operational centres required as part of the Cabinet Office-led contingency plans for a no deal exit.<sup>3</sup>

### Improving the level of preparedness

In some cases, departments also used the period between March and October to seek to improve the level of preparedness above what had been achieved for March. For example:

- The Department for Work & Pensions (DWP) retained 3,690 full-time equivalent staff it was expected to release under its Spending Review 2015 settlement in order to increase the resilience of its services. Between April 2019 and January 2020, these staff worked on activities such as reducing outstanding decision backlogs so that DWP could move staff to meet expected additional EU Exit demands without a significant immediate impact on claimants.
- HMRC secured additional sites and carried out work to provide additional capacity to manage lorries moving goods under the Common Transit Convention. This increased the available capacity for lorries using transit arrangements to approximately 700, which HMRC anticipated was sufficient to meet demand.<sup>4</sup>
- The Cabinet Office ran the ‘Get ready for Brexit’ campaign with the aim of ensuring that everyone was prepared for leaving the EU on 31 October – regardless of the negotiation outcome.<sup>5</sup>

### Notes

- 1 Preparations for 29 March 2019 were maintained for the 12 April 2019 extension of Article 50 without needing to be restarted.
- 2 See further: Comptroller and Auditor General, *Exiting the EU: supplying the health and social care sectors*, Session 2017–2019, HC 2654, National Audit Office, September 2019.
- 3 See further: Comptroller and Auditor General, *Contingency preparations for exiting the EU with no deal*, Session 2017–2019, HC 2058, National Audit Office, March 2019.

4 See further: Comptroller and Auditor General, *The UK border: preparedness for EU Exit October 2019*, Session 2019–20, HC 98, National Audit Office, October 2019.

5 See further: Comptroller and Auditor General, *EU Exit: the Get ready for Brexit campaign*, Session 2019–20, HC 22, National Audit Office, January 2020.

## Departments have reported £92 million in losses relating to EU Exit to Parliament so far

### Requirements for departments to report losses to Parliament

*Managing Public Money* requires departments to identify losses, including ‘fruitless payments’ and ‘constructive losses’.<sup>1</sup> A fruitless payment is defined as “a payment which cannot be avoided because the recipient is entitled to it even though nothing of use to the department will be received in return”.

A constructive loss is defined as “one where procurement action itself caused the loss. For example, stores or services might be correctly ordered, delivered or provided, then paid for as correct; but later, perhaps because of a change of policy, they might prove not to be needed or to be less useful than when the order was placed.”

Departments are required to report fruitless payments to Parliament, but need only report constructive losses if they are significant.

### Losses reported to date

Departments have already reported to Parliament specific costs relating to EU Exit work which have been defined as losses.

- In 2018-19, DfT reported as losses £50 million of costs to ferry companies and a £33 million cost to Eurotunnel, which arose from EU Exit contingency work.<sup>2</sup> The payments to ferry companies were classed as ‘fruitless payments’.
- In 2018-19, DHSC reported a ‘constructive loss’ of £8.9 million it incurred in ensuring that a dedicated direct channel for high-priority medical supplies was available to the NHS in the event of disruption at borders following a no deal EU Exit.<sup>3</sup>

Expenditure in 2019-20 will be subject to further detailed audit scrutiny to ensure any further losses are identified as departments prepare their annual accounts.

### Notes

- 1 HM Treasury, *Managing Public Money*, published July 2013, with annexes revised March 2018.
- 2 See further: Memorandum to the House of Commons Committee of Public Accounts, *The award of contracts for additional freight capacity on ferry services*, National Audit Office, February 2019; and Memorandum to the House of Commons Committee of Public Accounts, *Out-of-court settlement with Eurotunnel*, National Audit Office, May 2019.
- 3 See further: Comptroller and Auditor General, *Exiting the EU: supplying the health and social care sectors*, Session 2017-2019, HC 2654, National Audit Office, September 2019.

## Part Four: Central oversight and transparency

# HM Treasury data show a limited picture of overall EU Exit spending and little information was put in the public domain

### Central oversight of preparation costs

HM Treasury is responsible for the system of public spending. HM Treasury requires departments to produce accurate in-year monthly outturns and forecasts of spending, and to publish annual financial statements. Within this system, departments have considerable freedom about how they organise, direct and manage the resources at their disposal. The data HM Treasury collects from departments monthly do not readily allow HM Treasury to monitor spending against cross-government programmes or objectives, such as preparing for EU Exit, because the cross-government system for tracking spending captures data against categories of cost (such as staff cost or IT cost, and business area) rather than against cross-cutting objectives.

As part of the additional allocations awarded in 2018-19 and 2019-20, HM Treasury asked departments to provide supplementary reporting each month on specific areas of EU Exit spend (including spending in preparation for a no deal scenario). In 2018-19, this was the first time HM Treasury had asked departments to report specifically on their spending on EU Exit. HM Treasury has reviewed the data provided as part of its monitoring of departmental spending. The data provided by different departments were provided on different bases depending on their own internal reporting and were not suitable for compiling aggregate figures across government.

### Transparency of preparation costs

HM Treasury has publicly announced the additional funding allocations it has given to departments. However, little information has been made public by government on how departments have actually spent these funds.

For the 2018-19 financial year, HM Treasury required departments to disclose some information on their EU Exit work in their 2018-19 annual report and accounts. This requirement asked departments to “reflect [...] in their performance reports where appropriate” their work “to identify and develop responses to potential implementation issues”.

While all departments complied with this broad requirement, the level of detail supplied varied considerably. In most cases the information provided did not provide valuable insight into how departments were using their funds to prepare for EU Exit. For example, most departments did not set out:

- how much they spent in total on EU Exit during the year;
- specific elements of EU Exit spending (for example, individual projects); or
- the number of staff they had working on EU Exit, either in total or specifically for intensive preparations for a possible no deal exit.

## Appendix One: Technical notes

### Our audit approach

This study examines how much government departments have spent on their activities preparing for the UK's exit from the EU.

We asked all 18 central government departments and two non-ministerial departments to provide us with information on the cost of the preparation activities carried out between June 2016 and 31 January 2020.

We also asked departments to provide a breakdown of what they have spent money on, sending a standard data request to each department. We asked departments to provide information in three areas:

- staff costs and other costs related to employing staff;
- cost of other expertise and external advice; and
- cost of activities such as building new systems and infrastructure, advertising and communications, and other procurement.

The fieldwork for this study was carried out between September 2019 and February 2020. We asked departments to provide us with actual cost information for the period June 2016 to 31 October 2019, and forecast cost information for the period 1 November 2019 to 31 January 2020.

This report does not consider the value for money of government's expenditure on preparations for EU Exit.

### Our evidence base

The majority of the information set out in this report is based on the information provided by departments in response to our requests. Where data come from other sources, this is explicit.

The information provided by departments does not in most cases come directly from their financial systems and therefore has not been subjected to the level of scrutiny required as part of a formal financial audit. We have reviewed the data by:

- cross-checking information between departmental returns (for example, where staff are loaned between departments);
- examining how departments have classified their costs to ensure consistency between departments; and
- comparing the information departments have provided to other public and non-public sources of information on the cost of preparing for EU Exit, including the information held by HM Treasury and Cabinet Office.

We also met with departments to understand their cost information and gain a high-level understanding of the processes they had in place to monitor their EU Exit spend.

## Our evidence base *continued*

Through our review of the data, we have identified some specific limitations in what departments have been able to provide in response to our requests. As a result, the figures included in this report represent a minimum level of spend which can be attributed to preparations for EU Exit.

These limitations include:

- **Recording of how staff spend their time** – Departments reported they were aware of staff who had worked partially on EU Exit and partially on other priorities. However, few departments had a system in place which allowed them to identify or estimate how these staff split their time. In most cases therefore, the estimate of staff costs only includes those staff who worked full time on EU Exit.
- **Availability of actual cost information** – Many departments relied on estimates for some specific elements of their cost information, such as apportioning overheads or splitting contract costs between financial years. One department was only able to provide cost information based on an overall estimate of the proportion of their work which related to preparations for EU Exit.
- **Overlap between EU Exit work and business-as-usual** – In most departments EU Exit has had an impact on business-as-usual priorities as well as creating specific additional work programmes. In many cases this impact could not be separated from the cost of a department's normal activities and therefore has not been estimated.
- **Completeness of historical cost information** – Few departments set up systems to record their spend on EU Exit before they received an additional allocation for the work. For many departments, this means that spending in 2016-17 and 2017-18 has been estimated and in some cases excluded.
- **Quality of historical cost information** – Most departments could provide us with costs on a quarterly basis for the 2018-19 financial year, but some could only provide annual cost information. Only seven out of 18 departments could provide us with monthly cost information and only 11 out of 18 could provide us with quarterly cost information. Where departments could provide monthly or quarterly figures, in some cases this did not cover all of their EU Exit spending.

## Appendix Two: NAO programme of work and publications

### NAO programme of work on preparations for exiting the EU

In scrutinising public spending the National Audit Office (NAO) routinely monitors the challenges faced by departments and, where the Comptroller and Auditor General identifies pressing or relevant issues, reports on those to Parliament.

Leaving the EU is a historical moment for the UK, and one that will have a very significant impact across the public sector. As with other aspects of government activity, it is not for the NAO to comment on the policy choices being made in relation to exiting the EU. But the management systems that support the implementation of these policies fall naturally within the NAO's remit.

The NAO has an ongoing programme of work across government to examine how government is organising itself to deliver a successful exit from the EU. This covers the key bodies in the centre of government and the major spending departments have undertaken to deliver EU Exit.

Out of this work, we are publishing a series of reports to provide insight on aspects of government's preparedness for exiting the EU.

All of our reports can be found on our website at: [www.nao.org.uk/exiting-the-eu](http://www.nao.org.uk/exiting-the-eu).

### A selection of recent NAO publications on the UK's exit from the EU

*EU Exit: The Get ready for Brexit campaign* (January 2020).

*The UK border: preparedness for EU exit October 2019* (October 2019).

*Exiting the EU: supplying the health and social care sectors* (September 2019).

*Departments' use of consultants to support preparations for EU Exit* (June 2019).

*Preparing for trade negotiations* (May 2019).

*Memorandum to Committee of Public Accounts: Out-of-court settlement with Eurotunnel* (May 2019).

*Contingency preparations for exiting the EU with no deal* (March 2019).

*Memorandum to Committee of Public Accounts: The UK border: preparedness for EU exit update* (February 2019).

*Memorandum to Committee of Public Accounts: The award of contracts for additional freight capacity on ferry services* (February 2019).

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