

Public Accounts Committee

Oral evidence: Exiting the EU, HC 467

Monday 11 December 2017

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Watch the meeting

Members present: Geoffrey Clifton-Brown (Chair); Bim Afolami; Martyn Day; Caroline Flint; Luke Graham; Gillian Keegan; Nigel Mills; Layla Moran; Stephen Morgan.

Sir Amyas Morse, Comptroller and Auditor General, Peter Gray, Director, Exiting the EU, NAO, Geraldine Barker, Director, NAO, and Richard Brown, Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-100

Witnesses

I: Philip Rycroft, Permanent Secretary, Department for Exiting the EU, John Manzoni, Chief Executive of the Civil Service and Permanent Secretary, Cabinet Office, and James Bowler, Director General for Public Spending, HM Treasury.

Reports by the Comptroller and Auditor General

The Department for Exiting the European Union and the centre of government (HC 593)

Infrastructure and Projects Authority (HC 606)

People and skills: The role of the centre of government (HC 626)

Examination of witnesses

Witnesses: Philip Rycroft, John Manzoni and James Bowler.

Chair: Good afternoon, everybody. You are all warmly welcomed to this session on implementing the UK's exit from the European Union. Our hashtag this afternoon is just #Brexit, for anybody who wishes to follow it. Our witnesses, to whom I extend a very warm welcome, are John Bowler, director general for public spending at Her Majesty's Treasury—

James Bowler: James.

Q1 **Chair:** I'm so sorry; that's my short sight. The other witnesses are John Manzoni, chief executive of the civil service and permanent secretary at the Cabinet Office, and Philip Rycroft, permanent secretary at the Department for Exiting the EU. All three of you are very warmly welcomed to this session on the very complicated exercise that we have to undertake in leaving the European Union.

Perhaps I can put the first question to Mr Rycroft. In the light of the progress announced last week on phase 1 of the negotiations with the EU, what impact will that have on the preparations that your Department and other Government Departments have to make?

Philip Rycroft: Thank you, Chair. It is just worth saying that of course the progress made last week needs to be confirmed at the European Council later this week. Obviously, the Prime Minister is making a statement on what has been achieved so far. Hopefully, all that will be confirmed by the European Council and we can move into phase 2.

Clearly, what we will be doing and have been planning on doing is gearing up for phase 2, particularly as we move into a different negotiating mode. I think the point for the Committee to emphasise in terms of the planning is that the planning assumptions, the planning work, does not change in its fundamentals. We still have to plan across a range of scenarios. What we will need to see is that planning accelerated in the new year, but we would have to have seen that planning accelerated in the new year whatever the outcome had been this week. So we are working very hard



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with Departments to ensure that the UK is ready for exit in whatever form that takes, and we need to keep the foot on the accelerator to ensure that Departments deliver on the plans that they are making.

- Q2 **Chair:** But you are hopefully going into the next phase. That presumably involves a different lot of skills, both in your Department and in chasing up different priorities in different Departments. Are you thoroughly on top of that, given that you did not know where you were going to get to last week?

Philip Rycroft: Yes, of course. Obviously, there has been a lot of learning through phase 1, particularly in the negotiating context. As we go deeper into phase 2, the amount of resource that is required for the negotiations across Whitehall is likely to increase. That will draw on similar skillsets to phase 1, but now we will require more people to be engaged in the negotiation, so we have been talking to Departments about preparing for that. Again, we need to move that work forward over the next few weeks to ensure that Departments have the resource ready and available for when we move deep into the phase 2 negotiations. So it will require a shift in emphasis—there is no doubt about that—and we will have to draw on, for example, the negotiating skills that are held widely across the civil service, from different contexts, to make sure that we have the right folk in the right room at the right time.

- Q3 **Chair:** I will ask you this just in respect of your Department and then ask John Manzoni about the situation across Departments. Are you confident in your own Department that you have the skills necessary to handle this task?

Philip Rycroft: Yes, I am confident in the Department. As you know, the Department for Exiting the EU did not exist not that many months ago. From a start of about 40 folk from the original Cabinet Office team, we are now over the 600 mark. These are people drawn from right the way across Whitehall, as well as from outside Government, so there is a very deep set of different experiences and skills across the Department. We keep the resourcing in the Department under constant review, and that is not just about numbers; it is also about the sorts of people we have in the Department. And we will continue to adapt as need arises. Clearly, one of the points of emphasis for us as we go into phase 2 is how DExEU supports the negotiation process, and ergo what sort of skills we need to allow that to happen. I am confident that we have the people in place to get on with that. We may need to recruit more people of a different nature over the months ahead, but we start from a very, very strong base.

- Q4 **Chair:** Mr Rycroft, I wonder if that is just a tad optimistic. On page 16 of the NAO's Report on people and skills, there is a table that shows the number of operational delivery staff—the specific numbers for your Department are on page 17. Whereas, for example, the Department for Business, Energy and Industrial Strategy has 130 operational delivery staff, you only have 17. Do you think that that is sufficient?

Philip Rycroft: It is sufficient, I think, for our particular needs, because the operational side of this exercise will largely rest in Departments. For



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example, if you look at the workstreams on preparedness for exit, our job is, if you like, the broad co-ordination of that; it is not the delivery of the actual projects. The skillsets that I will be most worrying about come the new year and the move into the negotiations are more on the management of the negotiation side of things, as well as keeping the broad co-ordinating and strategic role together across Whitehall.

There will be an issue about project and programme management skills more widely across Whitehall, which John may want to say more about, but as I say, the DExEU role is not to deliver the projects; that is a departmental responsibility. Our job is to have the overview of the totality of the projects, to understand the relationship to the negotiating process, to manage those feedback loops and to understand the dependencies across that space, but it is for Departments to take forward the work to put those projects into place on the ground.

Q5 Chair: Let's come to you, Mr Manzoni, and ask the same question. Are you confident that Government Departments have the skills and the people to deliver this massive task?

John Manzoni: It may be helpful if—excuse my voice.

Chair: I've got a cold too. Don't worry.

John Manzoni: It's a very broad question. Different skills are required at different times for different things. It is helpful to think about this in phases. We have had the first phase, where we look at the problem and understand the nature of the issues. That has been done extremely well, and I think we have our arms around the set of issues associated with the task of exiting the EU. Those have been identified. They have been co-ordinated by DExEU. We have also now gone, we hope, through the first phase of the negotiations and the interchange with the counterparty, and that has been well handled. That has been done as well. In addition, a group of people have looked at planning all the things that have to be done, and that has been done extremely well as well. In these first phases, it has been handled sufficiently. We have moved a lot of people. We stood up two Departments. That was more than 4,000 people moving around. Since then, if you add them all up, there are probably about 1,000 people moving across the system from one job to another. There is a lot of that going on, which you do not see necessarily, but all those people have been moving.

As we look forward, there are two or three things to think about. The first is the next phase of the negotiations. Those kinds of people are negotiators, and probably as many at least, if not more, are policy people who understand their policy areas. I think Whitehall is well equipped to deal with that, and that is what Mr Rycroft just talked about, so that he is confident he can go in and lead the next phase of those negotiations.

The phase after that, which has actually been going on all the time, is the implementation phase, where we have to build stuff and get stuff done. That is a process that Whitehall is less familiar with in history, I would say.



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None the less, we have been focusing and concentrating very hard on it, and that is a work in progress. We do not have all the people today who we need to build all the things we have to—and by the way, you cannot just click your fingers one day and say, “I think I need 300 of these people,” because you have to define what you exactly want to do, and progressively those resource requirements become clear. We have so far identified—up to this point and to the end of this financial year—about 3,750 roles, 2,500 of which have been filled and 25% of which come from the outside.

We have established a process in the machine that can redeploy and hire the kinds of people we have needed. To date, the majority of those have actually been policy-oriented people. As we go to the next phase, they will be different kinds of people. They will be people who need to build systems or manage projects or perhaps do something commercial.

As we look forward, the next phase of this will be more focused on the implementation. As we look at this today, the answer to your question on whether we have the people that we need for today is yes. Do we have the people who we will need to build all this stuff in the next year or 18 months? The answer is no. We have to go and get them.

Q6 Chair: Looking at that same table, the Business Department has 30 project people, the Department for Digital, Culture, Media and Sport has zero, DEFRA has 50, the Department for International Trade has zero—to be fair, Customs has 1,850—the Home Office has 700 and your Department, Mr Rycroft, apparently has only 29. It looks to me as though you will need quite a lot of shift in staff to meet that next phase and actually deliver these projects. It is all very well designing them, but you then need to implement them.

John Manzoni: I don’t think anybody is disagreeing with you, frankly. Across the system, that is the next phase that we have to do. By the way, this picture is moving all the time; it moves week by week, never mind since the Report was written. We are hiring all the time. I say thank heavens that we set up a functional structure across Government, because that is actually helping; it is an axis through which we can hire commercial people and project leaders.

So far, we are on our third central project management campaign for getting people in. Some 100 people have been placed. The campaign in place is now for 150 new ones, and that will end in February. However, this will be a continuous process. The technology people are now starting up in the same way.

Those are the central campaigns, and the Departments are already in action and hiring. This is a very fast moving picture. My message for you today is that we just have to keep pushing. This is a big task; nobody is saying it is handled. We have to keep pushing and we have to start. These are different kinds of people, and the good news is that I think we understand that and can define it.



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As we look forward, the projects and those issues that we have identified have a level of definition today as we go forward. That level of definition will evolve, and increasingly the resource requirements to deliver them will also evolve.

- Q7 **Chair:** Presumably you are hiring quite a lot of people on short-term contracts, because after this whole thing is over, their skills will not be required?

John Manzoni: Every means and method that you can possibly think of, we are probably hiring them through.

Chair: Fair enough.

- Q8 **Bim Afolami:** Good afternoon. Just on that, Mr Manzoni, let us just take an example: if you are hiring a permanent employee—not a short-term contractor or consultant—on average, from the moment that you actually identify somebody, how long does it take for that person to actually start in the civil service?

John Manzoni: I'd be lying if I told you I knew the answer to that question.

- Q9 **Bim Afolami:** What would you guess it to be?

John Manzoni: Months, probably.

Bim Afolami: So, two or five?

John Manzoni: I don't know the answer to that. Probably three, I would imagine.

- Q10 **Bim Afolami:** I suppose what I am getting at is—

John Manzoni: Can we speed it up?

Bim Afolami: Yes.

John Manzoni: We have taken some steps. These central recruitment campaigns that I have mentioned are actually much more efficient, because we can hire particular job specs and can then deploy them across different Departments. Previously, had we been working in Departments, we would make those hires, the person would be unsuccessful, we would go over here and have a whole new round. That is helping.

We have set up a particularly focused vetting process and service for this particular set of things. In the vetting system, all people have to be cleared as they come into Government, of course. That often takes some time, and it is a bit complicated because it is a lot of hand-offs, so we have set up a specific process that has a 20-day SLA. So far, it has averaged nine days—I think is the right answer to what has happened on the vetting—so I think we are ready for that.

What we have been doing is setting up structures and processes. We have not hit the wall yet of this need, because these projects are coming now into definition, but we are ready and set when that happens.



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Q11 **Bim Afolami:** On the new recruitment phase, when did that start?

John Manzoni: It started at the beginning of the summer, if not before. Some Departments were hiring earlier.

Q12 **Bim Afolami:** With this special vetting process—

John Manzoni: The earliest project campaign was going on in April this year. That was when they started. The vetting process was put in place as soon as we spotted a bottleneck in the vetting process, which was quite a few months ago now.

Q13 **Chair:** I believe you have had private secretary experience, Mr Manzoni. If you were a private sector company and you had these fast-emerging requirements, and they were only relatively short-time, you would be buying in a lot of expertise. How are you advising Departments where they need to employ full-time people, or even part-time people, or where they need to go out and buy this expertise in?

John Manzoni: I don't think we have got to the place yet where we are going to have anywhere near too many for the foreseeable future. I don't know the exact basis on which—I ought to probably, but I don't—we are hiring all of these people. As I say, it will be a range, because I know we are setting up structures to have short term, and, by the way, borrow from our big suppliers. We are setting up frameworks for consultants to come in and help. There is a whole mix of things going on. I do not have the clarity on exactly how those things are. The answer to your question is that we are not going to hire thousands of people on permanent contracts, because this will be relatively transitory.

Q14 **Chair:** But given it has got enormous bandwidth at the moment, given that you are shifting all these people about in the civil service, and given that the rest of Government has to go on, and it has to go on after we have left the EU, is this having a permanent destabilising effect on the civil service?

John Manzoni: No, I do not think it is having a destabilising effect. I think it will have a prioritising effect.

Chair: We want to come on to that in a little while.

Q15 **Caroline Flint:** On the people being brought in from outside on a contractual basis with fixed-term contracts, how are you making sure that—maybe it's too early to tell at the moment, but down the road—when they return, having finished their fixed-term contract, they are held accountable for what they have provided within the Department, particularly if it is on the policy front? How will you keep tabs on that? Is there the capacity within the Departments concerned, where they are either buying in or people are being lent to the Department from external contractors and companies, to hold them to account for what they are doing?

John Manzoni: Where we've been thus far is, I think, policy and the decisions about the negotiation position and all of those. We are only just



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starting what I call the build phase, where the system that we put in place will work or it will not. I think we are at the very front end of this wedge with regard to the building. With regard to policy—

Philip Rycroft: Maybe I could respond from the DExEU perspective. In terms of accountability, the normal accountability mechanisms will remain in place, in terms of the advice that has been given to Ministers and so on and so forth. The civil service as a whole ultimately has to hold that accountability, because we are all transient in one way or the other. We have to ensure that in terms of the record trail, a Department like DExEU, which, by definition, is not designed to be here for ever, does leave that audit trail so that that accountability is visible not just in the short term, but in the longer term as well.

It is worth mentioning the people in DExEU who come from a variety of other Government Departments. Some have come in from the outside as well. For a resourceful Government looking forward, I am very confident that the people who are working in the Department now, should they wish to stay in the civil service, will find very good jobs in other Government Departments when their work in DExEU is finished. These are very capable people who are amassing some extraordinary experience on this amazing project we are engaged on at the moment. That learning and the experience and skills that they develop through that time will stand the whole civil service in good stead for many years to come. One of the messages I give to staff—it is quite important in terms of my retention messages and so on—is: we will support you in your career development and we will help you to use your time in DExEU to develop that set of experience, so that when the jobs in DExEU come to an end, you can readily move on to the wider civil service market, because we would love to keep your talents in the civil service.

Chair: We may come back to people and skills, but for the moment can we move on to work—

Caroline Flint: May I just ask a quick question?

Chair: Of course.

Q16 **Caroline Flint:** DExEU has 61% of the 581 staff in post as of October 2017 on loan from other Government Departments. When those staff come from other Departments do they retain their existing terms and contracts and salaries, or is there an enhanced payment for coming into DExEU?

Philip Rycroft: There is no enhanced payment for coming into DExEU per se. Part of the complexities of working in the civil service is that there are lots of different terms and conditions. We manage through all that—that is probably the diplomatic of putting it. One of the draws for DExEU, in spite of all that, is the sheer quality of the work. We have fortunately been very successful in bringing a lot of very talented people into the Department.

Chair: I think it is more logical to stick with people and resources actually. Perhaps Mr Afolami could ask some further questions on this?



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Q17 Bim Afolami: We touched briefly on the civil service ramping up implementation and building things in phase 2. Are we sure that we have the right urgency across the civil service on that? I am not saying that you do not, but from the outside it looks like the record thus far has been comparatively slow. How can you give us, the public and Parliament confidence that you really have grasped the urgency of this and that you are confident that you will have the right people in the right place at the right time?

John Manzoni: Let me answer this at two levels. I know that there may be a sense of, "Oh well, the civil service hasn't really got its heart in it." I see no evidence of that whatsoever. Frankly, I think people are working extraordinarily hard across the civil service to try to do their best in the face of an enormous challenge. Nobody is saying this is straight forward. That is point one.

Point two—this is different, and I find myself in this conversation quite a lot—is, as I said before, that this is not a policy question; this is an implementation question. When you say, "Now I've got to sit down round the table and build something," there is a natural pace at which that happens—customer requirements, design, getting the suppliers in, having the conversation about what it takes to build. I actually believe that will frustrate the system somewhat, because that will take a natural pace, provided we have the right resources on it: the people who are there to build that particular system—a lot of these are systems—such as the IT system. As we know, if we rush it, we will see a big problem in a couple of years' time, so we need to be quite thoughtful about the pace at which this gets built. I do believe that that is now beginning; it is starting.

In many ways we might have been a little slower out of the traps than we would have wished, but that is about the numbers of implementation people and skills that we have at the start of this in the civil service. We had built some of those skills in, and I believe this will significantly ramp up. This is about building momentum. It will have to step change, and we are going to have to increase the pace, but I see that ball rolling and the question now is: how do we keep pushing that forward? Nothing is held up for money. You say, "Well I need at least 300 people to build." "Okay, so how many technical architects do you actually need?" "That gets a bit more difficult." "Then write the job description, tell them what they are going to do, describe the organisation." There is a natural pace at which this is going on. I see this going on at an increasing pace now across our system.

Q18 Bim Afolami: That is a very helpful answer, but going back to what you said in my previous set of questions, you talked about this new phase in the resourcing system and the hiring systems you use. Do you think that you now have everything you need to increase the speed in place and it is a question, as you say, of pushing, or is there something that still needs to change with the civil service hiring and resourcing process that could increase this further?



John Manzoni: I think we are going to learn. We have been doing quite a lot of set-up, as I say, through the functional axis—which is new in civil service terms—and that is why we can do some central campaigns. The projects are the earliest—actually, commercial has been built, so we do not need quite so many of those skills. We need projects. They will be at 250 people by February next year through central campaigns. The technology will follow. Technology is even more disparate across our system, so it is quite complicated, but they have started now. Their first central campaign was initiated two or three weeks ago. That is in progress. We have done quite a lot of set-up. I think there could be an issue in the marketplace; we are competing for skills that are pretty rare.

Q19 **Bim Afolami:** Yes, I was about to ask that.

John Manzoni: So it's not as if we are alone, because plenty of private sector companies are also preparing. We have been having conversations with suppliers and discussions with all the various routes, to the extent that we can be teed up in the marketplace, so that we can access those when we need to. I do not think this will be without bumps, but we are as well set as we can be.

Q20 **Bim Afolami:** At what point do you think we need to be operating at full-speed capacity, so to speak?

John Manzoni: I think that it will build over the course of the next 12 months, to be honest.

Q21 **Bim Afolami:** So if we are here in June next year, repeating this—

John Manzoni: I hope that we would be going at a much faster pace than we are today, and I think we will be, because projects will have reached the level of definition at which they can define the specific requirements that are needed, and we can go and find those. It is building all the time.

Philip Rycroft: On the retrospective point, there was a huge amount of urgency post-referendum to get, for example, the likes of DExEU set up. Credit is due to my predecessor, Olly Robbins, for all the work he put into doing that. That was done at considerable pace with considerable urgency. If you think about the journey we have travelled over that time, we have gone from 40 to 600. That is, if you like, start-up territory. We did not have any of the normal parameters of a Department to support us in doing that. It has required considerable work, particularly from the corporate team, to make sure that people have desks, and that there is IT and HR support and all the rest of it. If you think about the amount of policy that has been delivered over that time, it shows the civil service responding very quickly to a major change in national circumstance. That is, if you like, the heartland of policy civil service, and the reaction and response was quick and urgent. As John said, we now need to move that on into the delivery phase, particularly around the workstreams that will help to ensure that we have a smooth exit.

Q22 **Chair:** Given that this is a very fast-moving scenario, perhaps both of you could give the Committee a written update by 1 June—you suggested six



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months, Mr Manzoni—on the people and resources needed to deliver the whole project. That would be really helpful.

John Manzoni: We are writing to ourselves, so I would be very happy to share it with you.

Q23 **Chair:** Thank you. Well, if you are writing it to yourselves, let's have the updates, if that is appropriate. Do you do it in a monthly basis—

John Manzoni: You don't need more than six months—

Q24 **Chair:** Well, at least six months, but if you choose to do it sooner than that, that would be very helpful. Let us move on to the task ahead. Mr Rycroft, you have identified 313 workstreams. At the moment, that is only the start. It may well rise. Of those 313, there are 10 major Government projects in the GMPP. Do you think that you have scoped this all out as properly as you can, or are there still more out there that you have not yet identified?

Philip Rycroft: I believe we have scoped it properly. The scoping work began very early on. The first guidance to Departments on that went out in August 2016. In the initial phase, there were rather more workstreams. Part of the team's job was to look at that and work out what could be amalgamated to be able to manage that sensibly. We keep that under constant review. I am not saying that new things will not hove into view, but over that time we have been working out where, as a consequence of leaving the EU, things will need to happen, whether that is in the regulatory space or the policy space, or whether things need to be built, IT systems put into place and people recruited to do things. That is really what is caught across those 313 or so workstreams.

I am pretty confident that we have caught all the major bases that we need to cover, but with Departments we keep that under constant review. One of the things to note in all of that, of course, is that there is a very tight interface between those workstreams and the negotiations that are coming, because a lot of those workstreams are hooked into objectives and outcomes that we will be looking for from the negotiations.

So, as we go into the negotiations and deeper into phase 2, it may be that new challenges and issues will emerge, and we need to be agile in order to deal with that. However, as you can imagine, I was doing my homework over the weekend and running through the 313 workstreams, just to remind myself of where they all sat, and they do cover a big part of the economy and a big part of the policy waterfront across Government. I'm pretty confident that we have identified all the major issues that we need to identify at this stage.

Q25 **Chair:** That is very helpful. Mr Manzoni, at the IPA you have identified 10 major Government projects—the GMPP—with the possibility of another 14 coming along. Do you feel that Departments are in a position to be able to deliver those on the projected timescale?

John Manzoni: For now. First of all, the GMPP is just a subset; we choose to put a project on to that, to work in a particular regime. As it happens,



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the IPA is thinking about a different regime for Brexit. The burden of reporting and such things on the GMPP is quite high, and we are contemplating whether or not that is just going to be unduly cumbersome. On the other hand, there is a reason to have high reporting burdens, because they tend to be for the biggest and most complicated projects. We need to get the balance of this all right.

However, what we are beginning to think about is a sort of Brexit portfolio, if you like, which has a special assurance regime, which doesn't quite carry the quarterly reporting burden that a GMPP project, working in a slightly slower time frame, might have. But you are right: we can see the projects in the GMPP today. By the way, it's moving all the time. Since the NAO Report, 12 of them have come off—finished.

We can see several of them that are impacted by Brexit, so we have got to have a think about that, and as we get to levels of definition of these 313—not all of which are projects: some of them are legislative and such things—then some more will come on to the GMPP. We might put some of them on the GMPP and we might put some of them into this Brexit portfolio, which we pay special attention to and which we create assurance around.

We are doing a lot of stuff to try to ease this. There are controls and such things that are used to make sure that projects are done right. We need to examine those to make sure they are not unduly slowing things down.

Q26 Chair: The really key question for this afternoon, which I will ask both of you, is this: given any scenario that you come up with on these negotiations, from no deal through to the most wonderful deal we could possibly imagine, do each of you feel that in the 313 workstreams and the 10 major projects, with 14 to be added, that this country will actually be in a position to implement everything it needs to implement at the end of the transitional period?

Philip Rycroft: I will start on that one. As you know from the planning that we are doing through the 313 workstreams, Departments are obliged to cover all scenarios, which includes a no-deal scenario. So the question is this: do we know what would need to be done in order to ensure the country can still function at the extremes of no deal? The answer to that question, I believe, across the majority of the things that would pertain in that space, is that we have identified the things that would need to be done.

Now, there is a whole stack of decisions that would be taken in order to get into that space. Clearly, a lot of those decisions would need to be taken by Ministers. There is a legislative programme, which is live as we speak and which would need to complete, in order to ensure that the capabilities were in place, for example the legislative authorities to run the border, customs, sanctions, trade and what-have-you, but we know what would need to be done. It wouldn't necessarily be entirely comfortable in all those spaces, but we know what would need to be done, and what



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decisions would have to be taken, and that is the result of the 18 months or so of work on the work streams.

- Q27 **Chair:** Right, you know what needs to be done. Are you confident that every one of the Departments you are monitoring is up to speed with actually doing it?

Philip Rycroft: I am confident that every Department knows what it has to do. Clearly, as John has pointed out, there is a long road to go in turning some of those plans into reality on the ground, in terms of the delivery of those plans. That will be the challenge next year—ramping up the pace to ensure that those plans, where necessary, come off the page and turn into delivery.

- Q28 **Chair:** So is there any particular Department that you are concerned about?

Philip Rycroft: No, I wouldn't say there is any particular Department. I think there are some groupings of projects which are tougher than others. Indeed, the Committee has identified one of the groupings of toughest projects, which is around the border. That is where you have a number of Departments, as you know, because you have had a session on that and produced your Report. There are a number of Departments involved in that, and a number of interrelated issues. It is the one domain where in terms of infrastructure, there will be a requirement for things to be built and IT projects to be put in place.

Properly, all the border issues are the portfolio priority issues that we keep the closest eye on, because they are the most complicated and the most interrelated domain. Also, clearly, it is not just the management within the UK context; there are also lots and lots of dependencies into the negotiations as well. That is the sort of thing that we, in prioritising our work, will put a particular focus on.

- Q29 **Layla Moran:** Mr Rycroft, I am curious. We are now at the point where we are moving into a new phase, and you are talking about ramping up. What have you learned so far from the workstreams that have been ongoing to this point that you would like to implement in the ones coming forward?

Philip Rycroft: That is a good question. It is a sharp focus on the world of the real, if you like. People need to get their head around what the realities are of the world we are in now, what the negotiating objectives and negotiating realities are and how to translate the outcome of the negotiations, whatever that is, into outcomes on the ground. It is Departments knowing what they have to do, focusing on that and turning it into plans that can actually be delivered. At the end of the day, this is all about focus and making sure that the Departments have a very, very clear line of sight on what needs to be done.

- Q30 **Layla Moran:** Do you feel you have had enough on-the-ground oversight of what the Departments have been doing? Do you feel you are on top of each Department equally, or is there a range there?



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Philip Rycroft: Yes. You might ask Departments that. We have a very close working relationship with Departments, not just in this space. This is not the only thing that DExEU does. Obviously, we have to prepare for the negotiations, and we have a big engagement strategy working with the devolved Administrations and so forth. We have multiple points of contact with Departments.

In this and other spaces, we have a pretty robust process of assurance in place. Twice in the course of this year, Departments have been brought in to update the Cabinet Secretary on where they have got in their planning processes, which has been enormously helpful in terms of sifting out the big issues and ensuring that Departments are doing the right thing to get into the right space.

We recognised that we needed to up the momentum of that a little bit and bring Ministers into the frame, so the inter-ministerial group was created, designed to look at some of the most significant issues with Ministers in the room. There are Ministers from DExEU—clearly, it is chaired by the Secretary of State for Exiting the EU—and Ministers from the relevant Departments brought into the room as well. That is a classic Whitehall way of ensuring that sufficient attention is paid to these issues, but also, from our perspective, ensuring that Ministers from across Government clock where the major issues are and understand the sorts of decision that need to be taken now and into the future.

Q31 **Layla Moran:** When was that group formed?

Philip Rycroft: The IMG has met, I think, about seven times now. That came together about two and a half months ago.

Q32 **Layla Moran:** And it is meeting weekly?

Philip Rycroft: It is meeting weekly at the moment, and hopefully will do so into the foreseeable future, because there is a lot to do.

Q33 **Chair:** That sort of implies to me that everything is not going quite as smoothly as you thought it was. Generally, when Ministers get involved it implies to me that there are difficult decisions that need to be taken that the civil service itself can't. What is actually happening?

Philip Rycroft: I don't think one follows the other. Of course Ministers have to be involved, because there are some very big decisions to be taken right across the programme. To take some live examples, absolutely central to the programme are various pieces of legislation that have come through the system. Ministers are intimately involved in the development of that legislation and those legislative propositions, and in taking them through the House. Ministers, both departmentally and collectively, have been and will continue to be involved in this process throughout.

That will continue, because we are dealing with very big things that are very important for the future of the country. Frankly, I would be very surprised if Departmental Ministers were not familiar with and engaged in the detail of all the workstreams that pertain to their Department. My sense is that Ministers have been exposed to all of these plans and know



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what is going on. This is an absolutely central part of what every Department has been doing and will continue to do in the months ahead.

- Q34 **Chair:** Come on—both of you have given us pretty rosy answers all the way through this hearing. Will either of you tell us what is not going right at the moment?

John Manzoni: That probably falls to me.

Chair: Yes, let's try you, Mr Manzoni.

John Manzoni: Well, I've told you my view, really.

- Q35 **Chair:** Let me preface that and put you on the spot a bit. When you wrote to every Government Department offering IPA help, only four Departments responded. That sounds a bit complacent to me, so that implies that things are not entirely going right.

John Manzoni: I sense you're ramping this up. We did not actually offer IPA help.

- Q36 **Chair:** Well, that is what the report says.

John Manzoni: I think the letter that you are referring to was the prioritisation process of the GMPP. Is that right?

Caroline Flint: Yes.

John Manzoni: That's what four people replied to. That is an interesting conversation and I know that Tony, the head of the IPA, then went round and had various conversations. I think we are learning that the system takes time to build into the levels of definition for project definition and resourcing. As Philip rightly said, everybody knows what the issues are, and by the way, the IMG is making important decisions in order to unblock those issues.

When you get to building stuff, it will slow down. We have to get the right people into the place to do the building, and increasing levels of definition so that we can get clear. As I have hopefully said clearly, we have to keep building that momentum. I now see that beginning, which is very good. I wish we were ahead of ourselves, because we would be even more confident, but we are not; we are where we are.

On hiring, we have the structures; now we have to get the definition of the subset of the 313 projects to get things moving. I also think that there are associated issues—for instance, the civil service cannot do all of this. Sometimes the private sector has to do it. That is another issue and that will not be straightforward, so there will be all sorts of issues associated with that—how clearly can we go and communicate. Those are, of course, complicated and sensitive issues. One does not want to end-run that, to overdo it, or go too early. All of that is part of these judgments.

- Q37 **Chair:** But given the fact that this is extra work on top of the Department's normal work, is it really going to cope with all these demands—these 313 workstreams—or will there not need to be some



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reprioritisation? Reprioritisation involves deprioritisation of some existing tasks. Isn't that a fact?

John Manzoni: It would be inconsistent of me to sit here and say that we do not need to prioritise the work. There is already a lot going on, and there is no question in my mind that when we come to implementation we will need to prioritise. Quite a lot has already been done, and it has happened in the legislative agenda. That has been prioritised; we have put eight or nine Brexit-related pieces of primary legislation through the House. As I have already mentioned, if you add it up, about 1,000 people have been moved across the system after the establishment of these two Departments—4,500 people went into these two Departments, some of whom came from the outside. Since then, we have moved about 1,000 people across the system. They weren't doing nothing. Whatever they were doing has stopped, and they are now concentrating on Brexit.

We are already seeing this in certain Departments—I think you heard Jon Thompson sit here and talk about his list of 250-odd projects that he is going to take to Ministers to start a prioritisation process. DEFRA has moved and deprioritised a bunch of transformation that they were going to do, because since 80% of their business is now Brexit, they have to start reprioritising. These things are happening in lots of tiny ways, as well as some of the big ways that I have mentioned. Those things are going to become increasingly important, because the critical resource in all of this will, I believe, be technical resource, project management bandwidth and senior leadership bandwidth to do all of the things. We have not got to that wall yet, but it is coming.

Q38 **Chair:** So you have had serious conversations with each Department, and you are satisfied as a result of those conversations that they are going—

John Manzoni: Starting.

Chair: Starting. So by the time you give us this update in June, hopefully they will have got there.

John Manzoni: It is a continuous process. I think you are going to see this all the time.

Chair: But given that the tempo of these negotiations is going to ramp up in the next six months, by June, they will need to have coped with that ramping up to make sure they have the priorities in place. Clearly, in the next six months, you are going to have to have some pretty serious conversations with the Departments to make sure the resources match the tasks.

John Manzoni: Yes, I agree with that. What I am trying to convey to you—I know it is not a terribly satisfying state of sense, but actually it is already happening. It does not happen at the headline stuff, because that is the headline. It happens down there somewhere, and that is why we have to put the processes in place. As I say, I think it will be, in the end, resources. Today, it is not money; it is resources—skilled resources.

Q39 **Caroline Flint:** I want to come back to your question, Chair. You are



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right, Mr Manzoni, that the issue around the four Departments replying was in response to the Infrastructure and Projects Authority urging Departments to prioritise their programmes to create space in an already full portfolio for projects. Only four Departments actually responded to that. While they are important Departments—DEFRA, BEIS, the Department for Communities and Local Government and the Department for Transport—did you follow up on that at all, to find out why other Departments had not responded formally? The IPA is doing a job to both support and provide assurance that major projects are being handled correctly. Did you follow that up?

John Manzoni: Tony did follow up, I think. I think there have been some conversations, and it has been an involving conversation, about what the best way is to get into this prioritisation conversation.

Q40 **Caroline Flint:** So you did follow up, and you heard that only four Government Departments had responded to the request from the IPA?

John Manzoni: Yes.

Q41 **Caroline Flint:** Are you aware whether any other Departments will now formally respond to the IPA?

John Manzoni: I don't think it is the right question.

Q42 **Caroline Flint:** You don't think it is the right question?

John Manzoni: No.

Caroline Flint: Do you mean it wasn't the right question by the IPA, or it's not the right question from me?

John Manzoni: They were asked to rank GMPP projects, but actually it is not the GMPP projects that need to be ranked. It is the totality of what is going on in the Department that needs to be ranked. It's business as usual. It's the GMPP. It's the manifesto commitments. It's the transformation activity—all of that. You can only, in the end, prioritise when everything is on the table, because if we look down just one lens, it is very hard to prioritise. That is what we learn. Now we are in a conversation with the six most affected Departments about how we do this. In fact, all the Departments, through the SDP process between now and March next year—if you remember, that was introduced a couple of years ago. That is now the vehicle through which we bring together the required outputs and the available inputs. That is the essence of that process.

We have to now leverage up that planning process so that a Department—it can only be an accountable person in a Department. Nobody from the centre can say, "You've got to do that." Only the people who are genuinely accountable can sit with the totality of things they've got to do, rank them and say, "This is how I've got to do them." That is where we have got to. This conversation has developed. Some of those things on the GMPP are affected by Brexit. Is the M20 going to have a carpark or not? That is a project on the GMPP. Universal credit will be impacted by the outcome of



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these negotiations about who takes the benefits. These things are already happening all the time. But I think that the answer to your question is that we are now in a much more serious conversation about prioritisation. There is a tendency to say, "We could just look at this". That is actually why the STP process was introduced, so that we can now use it. We have to try to use it and we are not very good at it yet.

- Q43 **Caroline Flint:** Will that information, about what the prioritisation will be, be made more public when it is available?

John Manzoni: We will be publishing the 2017-18 STPs any minute now, as you know, and we will, in due course, publish the others—a public version. We cannot have the total conversation about this because it is, of course, internal space. There will be public versions of the STPs available, yes.

- Q44 **Chair:** Mr Manzoni, you hinted at this there. Given the lead time of some of these infrastructure projects—things like roads to Dover and so on—are you really on top of the Department for Transport, and all the other Departments where there is a significant lead time to bring in those sorts of projects, so that we are not left on the day we leave the European Union, with the transformation period, or whenever it is, with the country not being able to function properly because the infrastructure has not been put in?

John Manzoni: It's true to say, and I think you heard John and the team here the other day say, that it will not be the case that all the infrastructure for a fully functioning border and an end state will be in place by March '19. That will not be the case—it can't be—but enough will be in place. As it happens, he has a CDS system in place so that risk-based decisions can be made. It is also true that where things are not in place by March '19, they have been very helpfully flushed out through the DExEU process in ministerial decisions and discussions. So people are aware and are making risk-based decisions. Where builds will not be complete by March '19, we should not take our foot off the gas. Of course, if there is an implementation period or a transition period, or whatever you want to call it, that will be helpful. In terms of building things, there is always going to have been a period from now to when these things are in place—they will not all magically finish in March '19. There will be a process, but on the decisions that have to be made to make us successfully leave the European Union, those decisions have been identified and are being flushed out and taken.

- Q45 **Chair:** Let me press you a little harder on this. You talk about this ramping-up phase. I am just wondering, given the lead-in with some of these projects—physical infrastructure, IT or whatever—whether the ramping-up has been done quickly enough and whether we are now going to be in a terrible muddle to catch up in time.

John Manzoni: I didn't answer your earlier question to Philip. A very well-known and successful chief executive has said, "Only the paranoid survive". We should always be paranoid about whether we can get these things done in time. From what we can see today, we will be in a



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satisfactory position by March '19. That does not mean to say that the plans might not change or that something might not go quite according to plan, in which case we shall have to deal with that as it comes. I am not sitting here saying, "Look, this is easy. We're going to get this right", but let's be real: as far as we can see today we will be in a satisfactory place by March '19. Personally, do I believe that a few of those things will change and there will be some bumps on the road? Yes, I do, and we need to continuously focus on it and continuously deploy all the expertise and skills we can in order to get them done in time. They won't all be done neatly on 31 March '19. They won't all be done like that.

Chair: Thank you for that candid answer.

- Q46 **Layla Moran:** For clarification, Mr Manzoni, you just said that that there were six Departments you had identified as having top priority, but on page 10 we have seven. Which six are you talking about?

John Manzoni: It is moving all the time. I would list as probably the ones to concentrate on: BEIS, DEFRA, HMRC, the Department of Health and the Department for Transport. That is five, and now you can take your pick: DWP—

Philip Rycroft: DCMS.

John Manzoni: DCMS has a lot of things going on too. It's just a question of how you prioritise.

- Q47 **Layla Moran:** But that's not even on this original list. So there is a top tier of Departments, if you like. What about all the others? What are you doing to help them engage with the process?

Philip Rycroft: It depends on which perspective you are looking from. If you are looking at this from domestic preparedness, any Department that touches into EU business that will change as a result of exit will be responsible for an element of the workstreams. I can't remember the precise number, but is it 19 Departments that we are covering? Some of those, like BEIS or DEFRA, have huge exposure and some have maybe two or three things that they are concerned about. So we are not distinguishing per Department, if you like; we are worrying about this as a workstream project-driven enterprise. We need departmental owners; ultimately, we need owners to take the workstreams and what flows out of them forward. This touches on a huge part of Whitehall. In terms of our interaction with Departments, we are talking to multiple Departments day in, day out across the whole range of DExEU work because of the complexity and the scale of the operation that we are now engaged in.

- Q48 **Luke Graham:** Mr Manzoni, to pick up on one of the points that you made about the projects coming online for 2019, I appreciate that for some it may not be that everything clicks in smoothly in 2019. To reflect on some of the outcomes from our Report, "Brexit and the borders", have you made, or are you in the process of making, recommendations for things such as extra funds for CHIEF—I think they are asking for about £7.3 million to bring it up to capacity—or for implementing infrastructure



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for roads and car parks, which we are virtually certain will be needed whatever Brexit outcome we have, to get that done now—to start digging and implementing now?

John Manzoni: This is an excellent opportunity for my friend Mr Bowler to answer that question, because he has the money.

Chair: I was wondering when he would have something to say. I was a bit worried, but I have some questions for him.

James Bowler: Great. We have funded HMRC in three ways to do with Brexit so far. In the spending review '15, we funded them to update their CDS—customs declaration service—prior to Brexit. They needed to update the system anyway. In '17-'18, we funded them to enhance CDS and prolong CHIEF. I think you had a particular debate on borders about whether they had got all their money in that. Of course, one thing the Treasury does is work out when they need their money as well as how much. They will need some of that money for CHIEF next year as well as this year, which I think is an issue in place. We also funded HMRC in the recent Budget for two things. First, the transformation programme, which is going a bit more slowly than previously, as Jon Thompson said to you. Secondly, we funded them in the Budget for some spend to raise revenue issues that are not relevant to that. So there are three chunks of funding. HMRC will be one of the larger recipients of future funding. The Budget set out £3 billion in 2018-19 and 2019-20 and, for all the reasons that colleagues here have said, HMRC will be a substantial recipient of that.

Q49 **Chair:** Mr Bowler, how much has it cost so far to implement our exit preparations?

James Bowler: In additional funding to budgets, it has cost £700 million—£412 million to set up DExEU and DIT, and just over £250 million of spending in 2017-18.

Q50 **Chair:** Has that money come from the contingency reserve?

James Bowler: The money to set up DExEU and DIT was in the autumn statement 2016, which was money provided as we worked out where all the funding lay in that fiscal event. The money for 2017-18 has come from the reserve, yes. You will be aware that the Budget of two weeks ago allocated—

Q51 **Chair:** I am coming on to the Budget. To stick with the contingency reserve for this year, how much has come out of that?

James Bowler: Just over £250 million.

Q52 **Chair:** Right. Then we get to the Budget announcement of £3 billion, which you have already told us about. That is £1.5 billion for next year and £1.5 billion for the year after. How will the Treasury allocate that money?

James Bowler: It is being allocated by a process led by the Chief Secretary to the Treasury. The process essentially works in three parts. The 313 workstreams work through with Departments. That is stress-

tested by the Treasury and the Cabinet Secretary in the stocktakes we are taking to work out the timing of the critical paths in those workstreams. Departments then bid into the Treasury for additional funding. The Chief Secretary leads a process in that—and I can tell you more if you want about what she is looking for as she does that—and allocates money accordingly, so she is fitting it to those critical paths that are linked to the workstreams. After allocation, there is a process of ensuring value for money, which is around business cases for the larger projects.

Q53 Chair: I was coming on to that. What mechanism will you have to report to the Comptroller and Auditor General and to this Committee on how that money has been allocated?

James Bowler: We will set out the 2017-18 allocations very shortly as part of supplementary estimates, because it is money coming from the reserve and that is where you report. Your border Report has some recommendations about us potentially improving our business model. The Chief Secretary has discussions with the Department that are well under way on that 2018-19 allocation. She hopes to conclude those discussions ahead of the financial year 2018-19, which is a major change from last year. I would imagine that she will set those allocations out to Parliament when she has made them.

Q54 Chair: So you are anticipating her making a verbal, oral or written statement sometime before the beginning of the next financial year?

James Bowler: Yes.

Chair: Thank you, that is very helpful.

Q55 Luke Graham: Mr Bowler, I appreciate your response to my previous question to Mr Manzoni, but I asked a couple of specifics and you gave me very general answers. The first specific I wanted to ask was about where we have projects ready to go, where we know that it is virtually certain that money will be needed. This is specifically to do with the extra funds for chiefs to give it the capacity to process the increased number of transactions in the absence of the CDS programme being ready for what a future situation might need. Certainly in terms of the base infrastructure, such as roads and car parks, have we got recommendations going to Ministers now so that we can start digging and setting those systems up so that we do not have any problems with those things—they are the blinking red lights for business—across the country in 2019?

James Bowler: Are you talking about the funding of them?

Q56 Luke Graham: Yes.

James Bowler: When Departments told us what they needed for 2017-18, they also told us what they would need in future years—particularly 2018-19—so we have that number. We have that funding allocation, and that is what we use to set what we think we need going forward in the future. On those big projects you talked about, there is a business case process we will go through to ensure we get value for money, but



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Departments are planning on the basis of those going ahead. They are planning on the basis that the things that are needed on the critical paths that come out of their workstreams need to go ahead. With all the things that my colleagues have been talking about, they are working on delivering along those critical paths. The issue around funding is often a timing issue about when that money is needed in which year.

- Q57 **Chair:** Given Mr Rycroft's earlier answer to me about being confident that he has scoped these 313 workstreams—others will of course come along—are you confident that the £3 million announced in the Budget is a sufficient sum to deal with all the tasks that need to be done?

James Bowler: I am. The money we allocated in terms of the Budget is the amount that Departments are telling us they need in 2018-19. They had two goes at it in 2017-18, and it is the money they say they need. At the Budget, the Chancellor made it very clear that he would allocate whatever is necessary and that if the real amount is over and above that figure, he would allocate more money. We are confident that we have made provision for what Departments have told us they need at the moment.

- Q58 **Chair:** Paraphrasing the Prime Minister's words, she said that no task would not be done for lack of resources.

James Bowler: The Chancellor said that in his Budget statement.

- Q59 **Gillian Keegan:** I do not think the critical resources will necessarily be money; they are going to be people and skills. You are going to be looking for tech and digital skills and project management skills that are scarce anyway. Have you done any assessment of how you are going to get these skills? As you said, the open market will be very competitive. Are you so relaxed because you are relying on third parties? Is that why you are relaxed? If I had this challenge to build a team with these skills that are very scarce, I would be a little more concerned.

John Manzoni: I am just practised at looking relaxed. I may not be relaxed, and I do not think we should be relaxed. I think we should be focused on it. I think you are right: the critical thing will not be money. By the way, nothing is being held up in terms of money today; it is about the definition of the projects or the allocation of the resources. That is where we are at. The answer to your question is that we have done what we can. We have talked to multiple suppliers both in the project space and in the technical space.

- Q60 **Gillian Keegan:** Are you talking about recruitment?

John Manzoni: About access to large amounts of resource if we need to. We have 12 or 13, but I can't remember what they are. I could look them up, but there are 12 or 13 routes to market for technical resources. In the project space, we have been in discussions with our partners in the private sector to see what can be done. In some senses, they were sort of ready for this rather earlier than we were ready to ask. That is why we are now getting to the level where I believe in the next six months we will be very much more clear, and I think that will continue to build. So I think we



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have done what we can to be ready to prepare the market and to say, "We are going to have a challenge here and we are going to need to use all of the resources that you can supply us." There will be all sorts of frameworks, access to consultants, partnerships with big strategic suppliers and straight hiring out of the market.

A lot of work has been done over the last few years in terms of trying to understand. As we deploy, for instance, a technology function across the system, everybody is hiring technologists into different roles, paying them different amounts, and calling them different things. We have deployed a system that has taken the best part of eight months to get done. A set of job families, technical job families, has 37 roles. Those are now deployed across the system or are being deployed across the system so that we have a framework through which to hire these people. This is a lot of groundwork and spadework that has gone on. The same is happening in the project space, where there are 19 roles that have been defined across Government. Competency levels, pay structures and all of those have been defined. Similarly in commercial, this is a lot of work that has taken more than a year to do, which is, if you like, spadework ready for the sort of thing that we now are facing.

Q61 Gillian Keegan: Of the 313 workstreams or mini-projects—potential projects I guess is what they are—how many have third-party dependencies?

John Manzoni: We have looked across what we can see today, and there are probably between 80 and 100 of those that have either commercial or technical or both sitting in them. Some of those will be legislative. That is what we can see today. I think that will change and will move, but there are about 80 to 100 that we can see in the highest priority projects. There will be a long tail that will probably need some help as well, but, for the 125 or 150 top priority of those 313, about 80 to 100 of them require commercial or technical or both.

Q62 Gillian Keegan: So 150 are top priority; so over 150 are what? Should we not worry about those? You had 313 in total and 150 are top priority. What are the others?

Philip Rycroft: A lot of the tail, if you like, will be negotiations-related, so it is about achieving a particular outcome for the negotiations that then sets a policy frame. The management of that policy frame would fall into reasonably traditional civil service policy management.

Q63 Gillian Keegan: More business as usual. So 150 are top priority, of which 80 have got technical build requirements?

John Manzoni: That is what we can see at the moment.

Q64 Chair: Mr Bowler, coming back to you, in your answer to me about the contingency reserve and the £250 million, was that simply taken from the contingency reserve or was there a ministerial direction?

James Bowler: It was taken from the reserve. We have a reserve in our departmental expenditure limits for unforeseen circumstances, and this was a good example.

Chair: Okay, fine.

- Q65 **Caroline Flint:** Sticking to the money side of things, on page 16 of the NAO Report, "The Department for Exiting the European Union and the centre of Government", there is a really helpful diagram, Mr Rycroft, that shows how you are working with Departments to collect information to inform the workstreams, presumably, and to identify better how they will be impacted. As part of this information-gathering exercise, are you asking Departments to put a price tag against the different streams of work to inform negotiations, particularly, for example, where we will continue to partner with the EU on certain areas? What might that cost? In areas where we might not be partnering with the EU and going it alone—let us say on rural payments—what might be the additional cost within the UK on what we are doing at the moment? Are you breaking that up so we can have a better idea and see clearly what the final price tag might be?

Philip Rycroft: In so far as these workstreams relate to the negotiations, clearly, an understanding of the financial relationship in that context is going to be important. All this work feeds into our broader negotiation strategy; understanding the options in a negotiating context clearly has some quantification as well. The net sum, in terms of the relationship between the UK and the EU looking forward, will obviously depend on the outcome of the negotiations. There are some big expenditure areas, particularly the common agricultural policy and structural funds, where there are decisions to be made about the continuation or otherwise of those policies on a domestic basis.

The money side of this applies rather differently depending on which policies and workstreams we are looking at. It will not all sum to one amount, because we are talking about very distinct elements of policy, but it is embedded within the work that is going on.

- Q66 **Caroline Flint:** Do you believe that at the end of this process, when we exit, whatever final bill is paid to the EU—I am not going to get into how much that should be, or anything like that—Parliament and the public will be able to see very clearly what we are paying in and what for, as well as what we have to pay because we are outside the EU and what we are doing differently, in terms of what the Government needs to provide for services that we might not have had to worry about before?

Philip Rycroft: Clearly, it is very difficult to put a price tag on those things—

- Q67 **Caroline Flint:** I am not asking you to do that. I am asking whether we will be able to see it clearly.

Philip Rycroft: On the first one, clearly, anything done in terms of the relationship with the EU will be absolutely transparent in the public view.



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On the shift in terms of what we need to do domestically, all those things will have to be priced through normal departmental procedures and so on. All of this stuff will be, as public expenditure is generally, transparent and in the public domain.

Chair: Did you want to ask about communications and the LGA?

- Q68 **Caroline Flint:** Yes. At the moment, they get something like £8.4 billion in UK-wide funding towards local government. I am really interested to know what is being done to ensure good communication back and forth with local government. Obviously, they rely on the financial resources at the moment, but there is also a possibility that they will have more of a role in the future, given that they may not be part of the committee set-up in Europe.

Philip Rycroft: That is a very fair question, and it is allied to the work that we do with the devolved Administrations, which face many similar issues. It is about money, but it is also about who does what post-exit, where the powers lie and where the powers might rest. Different bits of Whitehall working with DExEU are very closely engaged with local government in England, but also with the devolved Administrations, to get a common understanding of what policy domains will be impacted. It is more relevant at a higher level for the devolved Administrations than it is for local government in England, but nevertheless very important for local government as well.

There are some very critical questions there about what the domestic successor policies are to those that have hitherto been wrapped up in our membership of the European Union: notably, for local government, structural funds. That is part of the policy thinking going on in Government, and a critical part of that is understanding where local government is, what their views are on it and how they want to see this taken forward once we leave the EU.

- Q69 **Caroline Flint:** What arrangements are set up at the moment—parallel to the devolved Administrations—in terms of speaking to local government, not just via CLG?

Philip Rycroft: CLG do lead on that, and it is part of their job. I have met the LGA on a number of occasions, most recently a couple of months ago, to keep in touch with that work. There is also contact with the Mayors as well, at ministerial as well as official level. That is part of our work programme and of our general engagement, and it needs to carry on into the new year and into the foreseeable future. I value that enormously. While CLG is the lead Department for local Government, having that direct contact so that we can hear directly is enormously beneficial to us in DExEU. The same applies with the devolved Administrations.

- Q70 **Caroline Flint:** Finally, will you be looking for a replacement for UK local government's more formal advisory role, not just when it comes to the EU Committee of the Regions, but also with reference to the ECJ? Will that be replaced, in terms of our domestic infrastructure?



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Philip Rycroft: I do not have a precise answer to that. Where there are gaps in the infrastructure and people feel that a mechanism that allowed them to do something is no longer in place, clearly we have to work out what that means for future relationships. That is something that colleagues in CLG will be thinking through, but again, we are very ready to hear from the LGA and others should they wish to put different or successor arrangements in place.

- Q71 **Bim Afolami:** Mr Manzoni, you mentioned a business leader—I forget which one—who said, “Only the paranoid survive.” I then thought of Rahm Emanuel, the US politician who said, “Never let a crisis go to waste.” We have talked about all the problems and all the things you are trying to do to deal with them, so I will not rehash all that, but to what extent do you think we can be left with a better civil service going forward? In this Committee, as you know, we spend our whole time looking at project delivery; we are constantly raking over things with senior civil servants, asking “Why did this not happen?” or “Why was there overspend here?” This delivery capability that we are building by necessity—to what extent are we going to keep that within the civil service? On the one hand, you do not want to stress that we now have thousands of permanent staff who we will not know what to do with. On the other hand, I think we will need to keep some of this stuff if we are to have a better civil service going forward across the board. To what extent has that thinking gone on?

John Manzoni: For your reference, it was Andy Grove of Intel. The answer to your question is that I agree with you: we need to figure out how to use this moment to accelerate a set of changes that the civil service has been putting in place for the last few years. That is really what I am spending a lot of my time doing, to try to rebuild execution, commercial or other skills across the civil service that I think have reduced over the last decade. That is why I made the comment, “Thank heavens we have a structure that we can now leverage”—for instance, to do the central campaigns and have a grip across the system. That is why I can tell you that there are 3,750 vacancies across our system. We would never have been able to tell you that three years ago; you would have had to ask 28 different Departments.

- Q72 **Bim Afolami:** Each Department would have done its own.

John Manzoni: I was reflecting yesterday that the builds that are starting to happen across the system are happening in an agile way, and civil servants are part of that. If that had been done three years ago, it would have been outsourced to a Capgemini or an Accenture, and they would have done whatever they do, but there is a very different process going on now.

So I think we are making progress. The question is how we use this to accelerate that and to recognise those things. That is indeed a conversation that we are having, and I think it is generally being recognised. It is never easy or straightforward, because introducing a different way of working into any system—especially one as big and proud



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as this one—takes some time and does not always go well; I have been in front of this Committee talking about things that have not gone so well. But I think in general it is helpful to recognise that development, execution and project skills, as well as commercial and other skills, will be useful in this process. We really must take that as an opportunity.

- Q73 Bim Afolami:** I would like to move on to how this actually works and who is in charge. Forgive me if I have got this wrong, but it seems that DExEU is really the main co-ordinating Department—the quarterback, so to speak—that looks across the whole of Whitehall, figures out who does what and works out the dependencies and where they go. You then have the Cabinet Office, No. 10 Downing Street and the Departments. Could you explain, maybe by using an example, how it all fits together? From the outside, it is quite hard to see who is actually in charge. Obviously the Prime Minister is ultimately in charge of the Government, but from a day-to-day perspective, how does this work?

Philip Rycroft: You are quite right—I am not quite sure where the quarterback comes in; my sporting analogies aren't that strong. In terms of the DExEU role of co-ordinating this across Government, it is absolutely our job, and not just in this space but on a number of other fronts as well. As the Chair asked earlier, have we clocked all of the issues that are germane to this work? Have we found out who is responsible for those and allocated that responsibility, even when things cross departmental boundaries, so that there is clear ownership of that? It is our job to keep on top of that, so we work with the Cabinet Secretary and with Ministers to ensure that there is accountability in Departments for them to take forward their work on the workstreams.

- Q74 Bim Afolami:** In that sense, the first accountability is you, ultimately, as permanent secretary, and then the Cabinet Secretary supporting you dealing with other Departments.

Philip Rycroft: Exactly. The coherence of the whole—that is the DExEU job, in terms of our managing the strategic approach to exiting from the EU. But of course we can't hold the responsibility for the actual delivery of all of those workstreams, and that's where Departments come in.

- Q75 Bim Afolami:** So what is the role of your predecessor, who is now at the Cabinet Office, in that context?

Philip Rycroft: It is a slightly different frame, if you like, because Olly Robbins, who is my predecessor, was also, while he was running the Department, the Prime Minister's key official adviser on exit issues. He was her Sherpa to the 27 and the lead official negotiator. That was quite a big job in its own right, so the decision was taken that he should focus solely on that; the decision was taken that I should become permanent secretary in DExEU, having been, if you like, the understudy for six months or so as second permanent secretary.

My job is very clear in terms of supporting Mr Davis as the Secretary of State for Exiting the EU in that cross-Whitehall co-ordination role, to ensure that across all the parameters of exit we have a handle on that,



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but also supporting Olly Robbins and Mr Davis in the negotiations as well. That split of responsibility is very clear and Olly Robbins is very focused and has spent a lot of time, as you can imagine, in Brussels and in other capitals over the last few weeks on the negotiations themselves, given the support and advice he gives to the Prime Minister in that space.

As for the relationship with Departments on the preparedness for exit, that falls really to me, in the DExEU context, to work on that with Departments, and that is a big part of my job as permanent secretary.

- Q76 **Bim Afolami:** I suppose that, in broad terms, there were two ways that you could have structured this. You could have taken it the way we have, which is a comparatively small co-ordinating function at the centre, with Departments really still implementing on their departmental responsibilities. An alternative would have been creating a big Department that is at the centre to do everything, and everybody left outside that would do as is. So why was that decision taken in the way it was?

Philip Rycroft: That is a very fair question, and I can't answer precisely why the decision was taken when it was taken, but I can speculate in terms of understanding the way that Whitehall works generally—

Bim Afolami: We like speculation.

Philip Rycroft: That's fine. If you look at this not only in terms of the preparedness but in terms of the negotiations, and if you look at the depth of expertise that is required—let me take just one domain that is germane to both, which is fisheries. In order to handle that negotiation, or the negotiation that might be coming in the future, and in order to think through all the dynamic of the UK coming out of the common fisheries policy, that requires folk who understand their fisheries policy. I have dealt with fisheries in the past; I know enough to know how much I don't know and how complicated that is.

Trying to draw all of that expertise into the centre would have been an extraordinary challenge, and the risk is that we would have lost expertise in that transition. So, it makes a lot of sense to have a Department that is co-ordinating at the centre—and, by the way, drawing on people from lots of different Departments, so at least we have a good insight into all those different policy domains—but allowing the expertise to rest in the line Departments. They have built that up in many cases over many years—both the individuals who might be involved and, if you like, the departmental memory. That seems to me to be a sensible approach to take, and it is certainly the approach that we will be following as we get into the deeper negotiations.

- Q77 **Bim Afolami:** So there isn't a plan to draw more and more people into DExEU?

Philip Rycroft: No. We have just gone over the 600 mark. It is something that we keep under live review: what should the size and shape of the Department be, looking forward? Don't forget that every good person we

take from another Department is our gain, but their loss, so it is about getting the right balance of where the expertise lies.

Also, from my point of view managing the Department, there are costs in terms of managing growth, so we have to find the right balance. That is a very active discussion that I have with my senior team all the time, because in a sense DExEU is like a very big project, and we need to make sure that we are fit for purpose at any moment in time across the duration of the project. We will keep that under review, but at the moment my assumption is that DExEU's co-ordinating function will continue into phase 2 of the negotiations.

Q78 Bim Afolami: We spoke about Olly Robbins and what he is doing with the negotiations, but other than him, what else are the Cabinet Office doing in this context?

Philip Rycroft: John's team obviously has the function of supporting all the work for the delivery of the projects as they come on stream. There are other bits of the Cabinet Office that we work very closely with, such as the team in UK Governance Group, which I know well, that is looking at the internal UK issues around Brexit. Primarily, they are looking at the relationships with the devolved Administrations, and what will happen to the powers returning from Brussels. There is another meeting of the JMC on the European negotiations tomorrow to continue that relationship with the devolved Administrations. To understand the constitutional devolution consequences of all of this, we work extremely closely with that team.

We also obviously continue to work very closely with the European domestic secretariat in terms of the management of Government business. How do we make sure that all the Brexit-related demands are in the Government business programme, that they do not overwhelm everything else, but that they do find their proper space?

Q79 Bim Afolami: To what extent are the diplomatic service involved, or are they simply supporting the Cabinet Office on the negotiations side?

Philip Rycroft: No. UKREP, the permanent representation in Brussels, reports to me. That is part of the team, but we also work very closely with the Foreign Office across a whole range of different elements of this. Think about the work that we need to do around third-country agreements, and our relationship with third countries with which we already have deep relationships—sometimes through the EU, sometimes bilaterally. How do we manage that transition over time? The DExEU team works extremely closely with the Foreign Office on that.

Q80 Bim Afolami: That is very helpful and interesting, but I suppose what I am getting at is, if a Department is really suffering, or there is a project that everybody is worrying is just not going to happen, who is the person within Government who ultimately cracks the whip and says, "Nope. We're going to have to do something major to fix that."?

Philip Rycroft: That is really driven through the relationship that we have ultimately with the Cabinet Secretary. The stocktake process that we have



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driven has allowed the Cabinet Secretary to drill very deep into the portfolio of projects, Department-by-Department; to challenge them not just in their own right, as a suite of projects, but against business as usual; and to ask precisely the question that you are asking—is the Department up for the job that it has now, and will it be able to sustain its work into the future?

Q81 Bim Afolami: If the answer is no, what do we do about it?

Philip Rycroft: Precisely. The answer occasionally is that without additional resource we are going to struggle. What is the response to that? Well, you have seen the response in the way that extra resource has fed into Departments to help them to cope with the challenges that they have. We hope never to reach a point when a Department is saying, “We can’t cope,” because we would hope to be seeing the warning lights flashing well in advance of that.

Q82 Bim Afolami: Let’s take warning lights. You have 313 workstreams. I am guessing that if you have anything like the project managers I have ever worked with in the private sector, they will have RAG statuses of red, amber and green. Where are we on those? I am not expecting you to name and shame them, but out of the 313, how many are red, how many are amber and how many are green?

Philip Rycroft: That’s a very fair question, and if I could come at it slightly crab-wise, my primary concern is to ensure that we have good plans in place. Looking across that suite of 313, the work we have driven is to ensure that the plans are up to scratch, if you like. The majority, certainly, of the priority plans have reached a stage at which we are confident in the internal integrity of those plans—that they have thought through their critical paths. As John has indicated, and as I indicated earlier, we need to move these plans forward, particularly into the space of—

Q83 Bim Afolami: Do they have RAG statuses?

Philip Rycroft: The RAG statuses come more in terms of the content of the plans, and there is no simple approach to that because we are looking at risk across a wide domain. Some of that risk, for example, lies in legislative space. If you are in BEIS looking at handling nuclear safeguards, you need legislative approval to do that.

Q84 Chair: So Mr Rycroft, if you had a RAG status, how many of those 313 are at red?

Philip Rycroft: It depends a bit on your definition. I don’t—

Q85 Chair: How many are troubling you?

Philip Rycroft: How many are troubling me across that suite of projects? I would say that, in terms of the priority projects, I am not losing sleep over any of them. I have a departmental focus. If you reframe the question slightly, saying, “How many would I like to see accelerated to get them to the next stage?”, there are a number of projects that we would



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like to see more evidence of. We would like to see them advance more swiftly, to ensure that we have all those plans pinned down. But what I can say, with an absolutely clear conscience, is that across the whole suite we know what the policies used are, in terms of those broad exit scenarios. The policy options have been defined and the Departments understand what they have to do against those different exit scenarios. That is the main job that I have in this. I would expect the Departments managing those projects to embed within each project an understanding of the risk they are carrying; but as I say, that risk will look very different depending on different sorts of projects. Don't forget also that a lot of these things are dependent on negotiating outcomes. Quantifying that risk is rather difficult, because it is looking into a very complex negotiation, which hasn't started yet.

Q86 Chair: Just try to keep the answers a little briefer. What is the number you would like to see move more rapidly to the next phase?

Philip Rycroft: If I were to give you a number across the 130-odd priority projects, I would say there are probably about 20 or so that I would like to see move more quickly in terms of getting them up to—

Q87 Chair: What is the timetable for that?

Philip Rycroft: The timetable for that is, sort of—it's all now. I do not want to give you a flippant answer, but this is work that is in constant progress. We are not sitting back waiting for a particular moment, allowing these things to drift; we have to work on this day in, day out, and that is what we are doing. We have had the stocktake process and there was a bit of a gap between that—not a huge gap, but six months or so. As we move into the new year, because of the sort of questions you are asking, which concern us as well, we will move into a monthly reporting rhythm. We have the project infrastructure to allow us to do that, which will up the pace of the challenge to Departments. We will be doing it on a monthly basis. This does require a co-operative and collaborative arrangement with Departments. I do not want Departments to get out of pace with us, so we have to work collaboratively with them to understand where they have got to and where those issues lie. We will be moving to monthly reporting in the new year. As I say, we have that infrastructure there and it will be ready to go in January.

Q88 Chair: Would it be reasonable to ask you to let us have a note about what those 20 projects are and the timetable in which you expect them to be implemented to a certain phase?

Philip Rycroft: The answer to that, Chair, is that it is slightly sensitive because there is such a melding between these projects and the negotiations that are forthcoming, and a lot of this is in negotiation-sensitive space. The description of projects and where the issues might lie is something that will say something about where our negotiating priorities might be as we move into phase 2. I would need to think a bit about how we could manage that request without revealing too much.

Q89 Chair: We might have a discussion with the Comptroller and Auditor



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General to see how we can get to that information and handle it.

Philip Rycroft: That would be helpful.

Q90 **Chair:** That is very kind. To get to the generalities of it, is there any particular Department that features highly in that 20?

Philip Rycroft: No, I would not single out any Department at this stage. As I say, we are working with a lot of Departments. The challenge looks different from where you are sitting in Departments. We have very good co-operation and collaboration across the suite of Departments. The issues are more in the underlying nature of the projects and the workstreams themselves. Some of them are very tough, very difficult things to work through. It is not that Departments have been asleep at the wheel. They are putting their back into this, but some of these issues are tough to crack.

Chair: I think Parliament needs to know if a real problem is emerging. We need to work out how we are going to handle this whole issue.

Q91 **Bim Afolami:** On transparency and how important it is, and whether we are at the right level or not—I say this with no prejudgment, because I don't frankly know—do you think that the transparency given to Parliament, and therefore the public, in this process at the moment is about adequate?

Philip Rycroft: In terms of Parliament, there is clearly a lot of parliamentary activity. Today, the Prime Minister made a statement on the outcomes of the discussions last week. The Secretary of State has given a statement after most of the negotiating rounds. He has appeared before the Exiting the European Union Committee three times, and DExEU Ministers have been in front of Committees more than 20 times so far. We obviously put position papers into the public domain over the summer about some of the most important domains in the negotiations. To cap all of that off, there are the Prime Minister's major speeches, like Lancaster House and Florence, in which she set out the overarching vision of the way forward for the exit negotiations. It is really for others to judge whether that is sufficient transparency or not, but that is the transparency that has been offered.

Q92 **Bim Afolami:** There are two levels of transparency. There is political transparency about what is the aim, the strategic outlook, etc. Then you have administrative transparency, which is what on earth is going on. In terms of what on earth is going on, I accept that the answer may be, "Look, we are in a negotiation and frankly we can't reveal very much because that would damage our negotiating position," in which case the transparency can't come till afterwards. Is that the answer?

Philip Rycroft: That is the first part of the answer. In terms of the detail for a lot of this, we are building negotiating options for Ministers to inform the course of the negotiations. By definition, Parliament had a vote on this and has given instructions to the Secretary of State for Exiting the EU not to reveal his negotiating hand. Hopefully, Parliament understands the importance of that. There is, as I say, an interweaving of the workstreams



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with our negotiating position, because so many of them depend on the outcomes we are seeking in the course of the negotiations. That puts an inhibition on us, in terms of transparency. Nevertheless, when things need to be done, when money needs to be spent, when projects need to be put into public space, when legislation is required, of course all of those things emerge into public space. It is self-evident with legislation. You are dealing in Parliament now with half a dozen or so of those very major workstreams, in terms of the required legislative authority.

As projects come through to procurement and go through the system, in the normal way they will come into public space. Over time, of course, the NAO will look at how those projects have been delivered, and doubtless you will be sitting here cross-examining probably not me but others on the success or otherwise of those projects.

Sir Amyas Morse: We will be looking at them before they are finished; I can assure you of that.

- Q93 **Chair:** Mr Rycroft, there has been a certain amount of interest, I gather—these things reach the Chair fairly rapidly these days—so can you clarify a figure that I used in a question on the number of operational delivery staff that you have? I arrived at my figure of 17 by extrapolating—this is page 16 of the Report—from the percentage table, and I gather the actual figure is 18. Can you clarify whether it is 18? Is 18 sufficient, or, in this next phase that Mr Manzoni talked about, will you be increasing that figure?

Philip Rycroft: Given that our staff numbers change relatively frequently, I will check whether it is precisely 18 today.

- Q94 **Chair:** Is that sufficient or are you looking to considerably increase it?

Philip Rycroft: For the needs that we have in terms of managing the work that we need to do, it is sufficient at the moment. We might need to increase that number, depending on the demands of the oversight of the project that we have. But as I said earlier in answer to your question, what we will not be doing is moving into delivery mode for specific projects, so our demand for these staff is really about managing the overarching project as a whole.

- Q95 **Chair:** You will keep it under review. I will ask for brief answers. I have about four or five brief questions. Some people have to go. We have had quite a long hearing. On Mr Afolami's question about who does what, I understand from your answers a little bit more clearly how the responsibility lies between No. 10 and your Department. I am still not clear on where the responsibility lies between your Department and the Cabinet Office. Let me take a specific example of development and execution of the Government's strategy for leaving the EU. Who would do what precisely?

Philip Rycroft: Development and execution of the overarching strategy?

Chair: Yes.



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Philip Rycroft: DExEU is responsible for advising the Secretary of State for Exiting the EU on the overarching approach to exit. The manifestation of that into policy outcomes will go through the Cabinet Committee structure to the Cabinet ultimately, with the PM taking those decisions. That is our core departmental business. The ministerial responsibility for that rests with the Secretary of State. The official responsibility for that rests with me.

Q96 **Chair:** On the actual departmental implementation of the policy, who is responsible for making sure that the Departments do what your overarching policy has evolved?

Philip Rycroft: As I have explained already, we have identified the workstreams. The Departments own those workstreams. The Cabinet Secretary, who has an overview of the whole of the civil service, supported by John in the Cabinet Office as well as DExEU, can challenge the work that is being done on those workstreams, but responsibility for delivery of them will rest with individual Departments.

Q97 **Chair:** Thank you. That is helpful. You had two stocktake exercises in 2017. Did they throw up anything unexpected, and when will you have the next stocktaking exercise?

Philip Rycroft: I don't think they threw up anything unexpected. We know enough about what is going on to know where some of the issues were going to lie in those stocktakes. They served their purpose as part of the acceleration process to make sure that this work is going on at the required pace. As I said in answer to an earlier question, rather than having set-piece stocktakes at quite long intervals, given what we have all been saying about the need to push this forward, we are going to move into more monthly reporting in the new year. We will keep the Cabinet Secretary apprised of that and involved with that, and as necessary we will give him the wherewithal to have the conversations with other permanent secretaries where that is required to ensure that Departments are doing what they need to do.

Q98 **Chair:** Your committee structure in EUXT(O) has seven boards and eight working groups. Does it work or is it too complicated?

Philip Rycroft: Again, that is a very fair question. I think it does work.

Q99 **Chair:** I should preface this by saying that I have been involved with a huge Government issue that did not work. It got so many people around a table and so many different Departments that it did not work. Will this complicated structure actually deliver what it is supposed to?

Philip Rycroft: It is working to date, but it is one of those areas where we need to take feedback from Departments to ensure that it is working for them. It might work for us, but if it is not working for them, it is not working for the Government as a whole. Where we can, we need to draw things together to save people time, so that we are bringing it together where it is the same people going to the same room for similar discussions. It needs to reflect the changes in the overarching Cabinet Committee structure, which it has done, but it has worked to date. By



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performance we have to have lots of points of intersection with other Departments, and that needs to be formal interchange in many areas, so that we know that business will be transacted and transacted properly, but the structure is working to date. If we need to shift it, we will do so.

Q100 Chair: A final question on a point you have referred to. There will be nine Government Bills and a thousand pieces of secondary legislation. Are the right staff in the right places in the right Department to deliver that?

Philip Rycroft: I'd hope that you would see the evidence for that in the Bills before the House at the moment in terms of the quality of the drafting and so on—

Chair: For which I do congratulate you.

Philip Rycroft: Thank you. On the statutory instruments, there is clearly a huge challenge for Government, because we are going to add to the quantum of statutory instruments very largely, assuming that the withdrawal Bill goes through as we hope it will. We are thinking hard about that, including, "How do we manage that volume of statutory instruments? Have we got the right skills and people in place to do that? How do we ease the passage of that? How do we support parliamentary Committees in the process of running through those statutory instruments?" You are right to flag that as a major issue. It is one that we are giving a lot of thought to in DExEU, but also with the people in the European domestic secretariat who are responsible for the wider legislative programme.

Chair: May I thank all three of you very much? You have been very candid witnesses. It has been a very helpful session, and we are very grateful.