

Public Accounts Committee

Oral evidence: Implementing the UK's exit from the EU: the Department for Environment, Food and Rural Affairs; HC 736

Wednesday 7 March 2018

Ordered by the House of Commons to be published on 7 March 2018.

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Members present: Meg Hillier (Chair); Bim Afolami; Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Luke Graham; Gillian Keegan; Shabana Mahmood; Layla Moran; Anne Marie Morris; Bridget Phillipson.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Keith Davis, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-70

Witnesses

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

Reports by the Comptroller and Auditor General

Implementing the UK's Exit from the European Union: The Department for Business, Energy and Industrial Strategy (HC 608)

Implementing the UK's Exit from the European Union: The Department for Exiting the European Union and the centre of government (HC 593)

Implementing the UK's Exit from the European Union: The Infrastructure and Projects Authority (HC 606)

Implementing the UK's Exit from the European Union: People and Skills (HC 626)

Capability in the civil service (HC 919)

Delivering Major Projects in government: a briefing for the Committee of Public Accounts (HC 713)

Examination of witnesses

Witnesses: Clare Moriarty, David Kennedy and Sonia Phippard.

Q1 Chair: Welcome, everyone, to the Public Accounts Committee on Wednesday 7 March 2018. We have a busy session today, with two panels of civil servants we are quizzing about their Departments' preparedness for Brexit. These are chapters 5 and 6 in the series of hearings we have held on how well prepared the Government are to deliver on the many challenges that leaving the European Union will present.

Our opening session is with the Department for Environment, Food and Rural Affairs. Some 80% of DEFRA's work is framed by EU legislation, so you have huge challenges to deliver on this, Clare Moriarty. I am going to introduce the witnesses and then I will have a particular question about your EU workstreams. I want to introduce Sonia Phippard, who is the director general for marine, natural environment and rural at DEFRA—just a small workload there! We also have Clare Moriarty, the permanent secretary, and David Kennedy, director general for food, farming and biosecurity. Within each of your job titles, you have a very large chunk of work.

Ms Moriarty, as permanent secretary, you have 43 of the 313 EU workstreams just in your Department. Could you quickly tell us what progress you have made? The Report has some figures, but I think you have made further progress on those EU workstreams since it was



published. How far worked up are they?

Clare Moriarty: Yes, certainly. If I may, I will just pick up on that point. Clearly we are in a very fast-moving environment at the moment. The Report published in December was based on the situation as it was in the summer and autumn of last year. At that point we were looking particularly at our domestic readiness projects—the workstreams that we needed to progress in order to be clear that we could operate effectively on day one of exit, whenever that might be.

We have been doing further work since then. One of the things we have been doing in particular is looking at the breadth of our programme to make sure that, as well as those domestic readiness programmes, we are constructing a full portfolio that also takes account of all the other work that we are doing—for example, in supporting work on free trade agreements, our WTO work and so on. So we have been going through a process of really thinking about what the work is, guided by some principles about having outcomes-based workstreams.

Within each workstream our principles are that it should cover all potential outcomes, all activity—negotiation, legislation and build—and all timeframes. That is doing two things. It is increasing the number of projects that we recognise within the portfolio. This is not work that was not happening before, but we are redefining the portfolio so that we are quite clear about what is within the scope of the portfolio. So it increases the number of projects that we have to around 70. It also means that some of the projects are changing in the way we describe them. So we are in a slight moment of flux at the moment, but we are coming to settle on a set of projects.

We have also continued our recruitment. When the Report was published we had recruited about 65 people. We have now recruited about 1,100 people, of whom 950 are in the building and 150 are going through.

Q2 **Chair:** We will move on to staffing in a moment. To be clear, do you still have 43 of the workstreams? Has what you have described increased the number or just increased the scope of those 43?

Clare Moriarty: When we have settled the programme we will have more than 43. We call them projects. The 43 are essentially the work that we are doing specifically in relation to domestic readiness.

Q3 **Chair:** You had six priority ones. Can you tell us what they are?

Clare Moriarty: The six priority projects that we had at the time of the NAO Report are: a project to replace the TRACES system of import control, which I talked about when I was here with other people; the system for chemicals registration to replace the REACH system; the export health certificates system; the pesticides framework; catch certificates, which is a way of accounting for fish caught; and enforcement of control for fisheries. Those were the six when we did our original prioritisation looking at both the impact of the work area and the deliverability. Those were our top priority areas. As we settle on our new projects and re-run the



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prioritisation, in some areas we are finding that deliverability is better than we thought it might be, so some of those projects might score lower.

Q4 **Chair:** So it is a list in flux.

Clare Moriarty: It is a list in flux.

Q5 **Chair:** When will you complete the latest prioritisation and identification of work that needs to be done?

Clare Moriarty: I think within a few weeks.

Q6 **Chair:** Is it possible to see a list of those projects once you have completed that work?

Clare Moriarty: I am aware that the Committee has made a request for information, and the Cabinet Secretary has said that we will provide information across Government in April, so at that point I am sure we will then be able to feed in our latest version of the projects.

Chair: I am sure the Cabinet Secretary will be pleased that you are in tune with him. Other permanent secretaries have been very happy to tell us here in Committee what those workstreams are, but as there are 43 I will not ask you to list them all now. However, we will be pushing for this because we think that April is quite late, given that some of the decisions have to be made about what happens in these workstreams, or projects as you call them in your Department, now. We will hopefully tease some of this out during the hearing. To start that task, I will hand over to Sir Geoffrey Clifton-Brown

Q7 **Sir Geoffrey Clifton-Brown:** Good afternoon, Ms Moriarty. What are the most serious consequences if you fail to deliver on any of these workstreams? For example, food will still need to cross borders and plants and animals will need to cross borders on day one. So what are the consequences if you fail to get any of the workstreams done?

Clare Moriarty: Can I make one point of clarification? We are very much looking at things in terms of the functions that need to be performed. There are always different ways of ensuring that those functions are performed. So what we are trying to do in our projects is to look at what we think is the best available way to perform those functions in a given timeframe. If we look at the potential for a no-deal scenario and what we might need to be able to do on 29 March 2019, that gives us one set of options. In the much more preferred outcome of an implementation period, where we would effectively be operating under the current system for a period of two years or so, we can plan something different. But what we are looking at is how we make sure that those functions are performed.

The consequences of not performing those functions at all in relation to, say, the import of food, the registration of chemicals or the export of food would always be very serious. But we are trying to look at the different ways in which we could perform those functions, which might be dialling up more manual solutions if we need to do things in shorter timescales.



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- Q8 **Sir Geoffrey Clifton-Brown:** Given that your current remit given to you by the Cabinet Office and DExEU means that you have to plan for a no-deal scenario, you have to have all those functions in place by 29 March next year. Do you think you will do it?
- Q9 **Clare Moriarty:** Yes, we believe that we have solutions that will enable us to perform those functions. If we need to implement a no-deal solution, they will be different solutions from what we would work to in an implementation period, but we are clear about what we need to be able to do.
- Q10 **Sir Geoffrey Clifton-Brown:** Given that around half of your workstreams involve IT elements to some extent, how would you assess your progress on IT development so far? I have to say, with a farm—I declare those interests—that your IT performance on RPA in the past has not been the greatest. So how do you expect to perform on these IT functions?

Clare Moriarty: I am ever conscious, every time I come before this Committee, that the Department's performance and record in relation to farmer payments is something which is ever with us. I can assure you that it is something that we are very mindful of, and we have looked really carefully at what are the lessons that we can take from the most recent experience of implementing the CAP system.

In terms of where we are on the projects, I will give you a general sense. I might ask my colleagues who have ownership of some of the individual projects to fill in the detail. Of the 43 domestic readiness projects, we think about 20 will have some kind of IT element, but that varies a lot in scope. There are four where, in a no-deal scenario, we are certain that we will need some element of build. These are builds that are significantly less complex than the CAP delivery system. This is something which I keep asking myself and other people, but if you look at the CAP delivery system—a very complicated rules engine—

Chair: By CAP you mean the common agricultural policy—just for people listening who might think you are talking about a hat.

Clare Moriarty: Thank you. It is a very complicated rules engine, an interface with a mapping-based system, and 88,000 people who all need to access it directly. The import control system, the IT system, which is the most complicated one we need to introduce, is relatively straightforward. I never underestimate the complexity of IT, but it is a relatively straightforward function of being able to capture information about food coming into the country, a relatively simple portal, and there are only about 3,000 expert users who will need to work with it.

We have four projects where we know we will definitely need a build element for a no-deal scenario. The remainder of our projects are either at the end of a process of discovery where we can start to make decisions, or slightly further back, depending on how large or critical we think the elements might be. Some of them—certainly for an enduring solution—we will need to have new IT systems; but that is something we can do in slightly slower time. It might be helpful if Mr Kennedy says a little bit



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about the import control system and, if helpful, Ms Phippard can say a little about the chemical system, which are the two most significant parts for us.

David Kennedy: The import control system will have three components. It will have a portal, which is where the users put in the information. It will have a processing component, used, for example, by the port health authorities. Then it will have an interface with the broader customs system that says this food that has come into the country is ready now to be released, from a food safety and animal health perspective. It has got those three components.

We have already built the portal. We are in the process of designing and building the middle and the back of this system. We expect those to be built on the current plan by the summer, following which there will be a number of months of testing. There will be targeted testing with users first of all, and then this will be open to public testing by the end of the year. On that plan we will be ready for a no-deal scenario at the end of March.

It is really important for us to have contingencies, so if we were not ready we have got two contingencies that we are working with. One is to use an existing system called PHILIS, which is owned and developed by the Felixstowe port health authority. The second is to use a combination of what we have built already—so the portal, with manual workarounds. We are going to need to make a decision, we think in May, about whether we can rely on the build or whether we need to activate one or other of the contingencies. So there is a really important decision point at that time.

Sonia Phippard: On the chemicals side, our challenge is to build a database that replaces the database currently run by the European Chemicals Agency, which provides, fundamentally, and most urgently in a no-deal situation, for the registration of new chemical products, but then allows those chemicals to be evaluated and authorised. Again, we have reached the point where we have started building a prototype of the IT system we will need, with a very similar programme through the coming year to that outlined by David Kennedy for the TRACES system. If there is a delay on day one, we are confident that we could manage the registration element, so companies with new chemicals to register would be able to do that, and we would just have more manual work when it came to searching that database.

Q11 **Sir Geoffrey Clifton-Brown:** Ms Phippard, given that chemicals are such a basic thing and form such a large component of what we do, will that system more or less mirror the European system?

Sonia Phippard: Yes, the intention is that it would.

Q12 **Sir Geoffrey Clifton-Brown:** Ms Moriarty, given that your Department and other Departments will be competing for people to build these IT systems in a very short space of time, will you do these systems within your Department or will you buy in skills? Either way, are you confident that you will be able to have these systems ready, particularly for a no-

deal scenario?

Clare Moriarty: Yes, I am. The way in which the systems are being developed is a combination of in-house expertise and work with a number of delivery partners. As I say, although it is potentially a very large portfolio, we are able to phase and stagger it. We set up our EU exit IT programme early on in the process, so we have recruited, I think, at least 100 people into our DDTS—digital data and technology service—and, combined with significant numbers of people working in our delivery partners, we are confident that we can work to those timescales. The really important thing we keep coming back to is that we need both to have the confidence that we can do what we need to do, and to be constantly thinking about the fall-back, so that we are not caught out by finding we have passed the decision point, not been able to progress and failed to implement a contingency at the point when we could.

- Q13 **Sir Geoffrey Clifton-Brown:** Given that some of your IT systems will depend on policy not yet developed—I am thinking about single farm payments, for example—how are you going to manage that when the policy has not yet been finalised?

Clare Moriarty: The IT systems we need to develop most quickly are ones where we are pretty clear what the policy is and what the need is going to be. Clearly, one large element of our portfolio is the programme on future farming, and I will ask David to say a few words about that in a moment. That is something that will almost certainly involve some IT development, but it does not have the same urgency about the timescale. There are urgent elements, because we may need to make some small changes to the system to make sure that we can continue to pay people smoothly as we leave the EU, but an awful lot of this is about understanding what needs to be done when, how big it is, and then putting all that together and making sure we have a proper resourcing plan for it.

David Kennedy: Just to pick up on TRACES, we are designing the TRACES replacement systems—the import control system—in a way that can flex to different policy decisions. It will be able to handle what the current EU system does, which is third country imports, but it is being designed in a way that allows it also to handle imports from the EU. We are giving ourselves that optionality. On future farming, which is a longer timeframe, you will have seen that we published our consultation document last week, and the approach is to decide the policies and then work out the delivery mechanisms in the light of the lessons from the past, which I know well, because I am responsible for the Rural Payments Agency. I know how difficult it is to work with the current system. We will be designing a regime and an IT system, we hope, that is much simpler to use as we go forward.

- Q14 **Chair:** Ms Moriarty, you and your officials put forward a very positive story there, but we know that IT projects in Government are challenging and we have seen many failures, including in your own Department. Surely a lot of this is keeping you awake at night, because there is an



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awful lot to get done in a very short period of time, and you still do not know the final model you will have to deliver under. Which work streams are most at risk of delay or failure? That is not a criticism; we recognise the challenge of what the Department has to deliver.

Clare Moriarty: I would not wish for a moment to minimise the scale of the challenge. It is huge and it keeps me awake at night. I am trying, with the help of a very good team and effort that is dispersed right across the Department—every part of DEFRA has to contribute to this—to make sure that we understand where our risks lie and how to mitigate them.

For the projects that are most front of mind, we tend to come back to the same ones because they are larger and carry more risk. The import control system is certainly one that we talk about on a regular basis, and there is the replacement for REACH, which Sonia talked about. There are the export health certificates, which is the process that British producers will need to go through in order to export their goods to the EU. Again, we have looked at that from an IT point of view. There is also a negotiation element, because we have to make sure that we have the right agreements in place with all the third countries. Those ones—catch certificates, enforcement and control, veterinary medicines—are the group of projects that are constantly front of mind.

- Q15 **Sir Geoffrey Clifton-Brown:** To get a flavour of how much you and your Department are on top of this, you now chair DEFRA's EU exit board. How often does the board meet, and how often do you meet your other stakeholders, DExEU and the Cabinet Office?

Clare Moriarty: The programme board meets formally once a month, but the executive committee meets every week. The programme board is essentially formed around the core of the executive committee, because each of the directors general has responsibility for a slice of the portfolio. Every week at our executive committee we spend time on EU exit. We have a weekly meeting with the Secretary of State, focusing on EU exit delivery, and we also have a weekly meeting series with the Secretary of State that works through deep dives on each of the different areas.

We have meetings with DExEU and other Departments, and different people are involved in different meetings on a daily basis. We are represented on all the key official committees that support the Cabinet committees; David sits on the border planning group. We are plugged into all the work that is going on. I talk regularly to my counterpart at DExEU. We had a team-to-team session between my executive committee and the DExEU top team. We are making sure that we have regular contact with others.

- Q16 **Sir Geoffrey Clifton-Brown:** So if any one of those 43 workstreams started to fall seriously behind, it would be passed right up the chain pretty quickly?

Clare Moriarty: Yes.

- Q17 **Chair:** You talked before about how you would continue to use the old



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system for longer, rather than updating things. Can you give us an update on where that has got to? Are there any things that you are slowing down, dropping off or de-prioritising in order to meet these huge challenges that you have just—I have to say, very calmly—outlined?

You have clearly identified some pretty big issues that could lead to really serious consequences for farmers, fishermen and the food industry. If it all goes wrong in your Department, it would be, frankly, an unmitigated disaster for the country, wouldn't it? What else are you de-prioritising? Have you added anything to the list?

Clare Moriarty: Within the EU exit space, we have looked at all the areas that we need to operate and all the systems we currently use to operate those. We have looked at those where we need to make an intervention rapidly and those where we can rely on existing systems and keep going with them for longer.

On the places that we are hopeful we can rely on our existing systems for, we have a plant import/export system, which is a UK system that interfaces with an EU system, unlike the animal control system. We have tested that and we believe it will be able to function and allow us the time to develop something in the longer term, which might be a more integrated system with the animal area.

There is also CITES, which I might ask Sonia to say a few words about. We are responsible for issuing certificates for endangered species products. We have a system—an IT system—that we will need to replace at some stage, but our stress testing suggests that we can probably manage with that system for the time being.

Q18 **Chair:** You are not expecting a sudden increase, then, after Brexit in demand for—

Clare Moriarty: We are expecting an increase, because things that don't carry these certificates will need them. But I will hand over to Sonia.

Sonia Phippard: That is exactly the point. It is not that we expect the trade in endangered species to increase, but trade between the UK and the EU would need a licence. Otherwise, the position is exactly as the permanent secretary has described. We've got a system. It is not great—frankly—and so we are doing a repeat stress test, which I expect the answers from this week. But if we can keep going with it, we will. It will mean we need to take on some more staff in a no-deal situation. If we have an implementation period, obviously that gives us time to build—

Q19 **Chair:** So, Ms Moriarty, your workload is not just dealing with the immediate challenges. There are a lot of things that we might say are moving to the right—things that will become bigger challenges as they grind to a halt eventually, but you're getting them to limp over the Brexit period.

Do you have longer-term plans beyond Brexit date and any transition period? Are you already beginning to consider when you will replace some of the other systems that you have had to delay replacing for the time



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being? So what is your long-range plan? Is it a 10-year plan, or a five-year plan, or—

Clare Moriarty: Almost every timeframe exists. With some of the systems that we've been looking at, in the no-deal scenario we think we can continue to operate our current system, but we would hope that by the end of an implementation period, with an additional two years or so, to have implemented new systems. So, export health certificates is one area where we are—

Q20 **Chair:** Really? So in the short term, you have a two-year plan. Beyond Brexit—can you give us some idea of what you would want to replace in that two-year transition period?

Clare Moriarty: Ideally, in the two-year transition period, we would replace the export health certificate system, the animal and plant health system, and the CITES system. We are not in a position where it is absolutely critical to do that, because those systems can continue, and to some extent we then need to look at what their relative health is, and decide how to sequence the further work. But there are other systems.

As David was saying, we're building the trade control and expert system, or TRACES, replacement to be both simple and flexible. When we went to Crewe, where the work is being done, and had a session with the team there, they described it as being a bit like building an office block. And we know that we are going to occupy some floors of the office block, but ideally we would be able to slot in some of the things that currently exist in a multiplicity of different systems, with all the downsides that brings, into a single system. So that's something that we will be looking at, to see whether we can make it simpler.

Q21 **Chair:** So, just getting ready for Brexit is just the beginning of your challenges, really, from the sound of it. You have a lot to do.

Clare Moriarty: Well, 29 March 2019 is certainly not the end of the challenges. The Government have made it very clear that we believe an implementation period would be highly beneficial—

Q22 **Chair:** One of your other challenges, of course, is getting the legislative time you need to do this. What is top of your current list of worries there and has it changed since we last saw you?

Clare Moriarty: We have two pieces of primary legislation, which we intend to introduce in the first Session: an agriculture Bill and a fisheries Bill. The consultation that we have just launched on future farming is preliminary to the agriculture Bill and we will publish our fisheries White Paper shortly. So those are our big pieces of primary legislation. We also have—

Q23 **Chair:** But the Secretary of State said to our sister Select Committee—the Environment, Food and Rural Affairs Committee—in September that he expected to publish the fisheries White Paper before Christmas, and it hasn't happened yet. How much longer can you delay and still deliver? I am forgetting which one of you deals with fisheries. Is it you, Ms



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Phippard?

Sonia Phippard: The intention is indeed to publish it shortly, because the fisheries Bill will need to be introduced fairly shortly after Easter.

Q24 **Chair:** Right, so it is going to be a very tight turnaround between White Paper and Bill. That is useful for the fishing community to know. What has held it up—time in Parliament or other things? I ask because the Secretary of State wanted it out before Christmas. Was that just a politician's optimism, or has there been a delay for another reason?

Sonia Phippard: Discussions across Whitehall. We have had a lot of discussions with devolved Administrations, because they have a very strong interest in fisheries.

Q25 **Chair:** Normal machinery of Government debates and discussions?

Sonia Phippard: I don't think machinery of Government debates—more about content.

Q26 **Layla Moran:** I am coming on to resourcing—money, and if you have enough of it. We know that you were approved to get extra money from the Treasury. How confident are you, Ms Moriarty, that that will be enough money to deliver this incredible number of workstreams that you have to get through?

Clare Moriarty: We are currently in discussion with the Treasury. As you know, they have been allocated £1.5 billion for each of 2018-19 and 2019-20 for Departments' EU exit work. We and other Departments are in discussion with them at the moment based on setting out our plans and what other resources we expect there to be. I am confident that we will be able to resource the things that we need to.

Q27 **Layla Moran:** But you are likely to have to go back to them and ask for more?

Clare Moriarty: We are currently negotiating about 2018-19. By definition, because the precise scope of work that we and other Departments need to deal with will depend on both whether we have an implementation period and the shape of the future economic partnership, there has to be a bit of flex and continued dialogue.

Q28 **Layla Moran:** In '18-'19 DEFRA is aiming to target savings of £138 million. How is that going? Will that affect how much you will end up asking for if you cannot achieve it?

Clare Moriarty: The £138 million comes from our spending review settlement. We are committed to delivering our spending review settlement. The new activity that is associated with EU exit is where we are talking to Treasury about additional funding.

Q29 **Layla Moran:** Right, so you are not planning to make any extra cuts to deliver this work?

Clare Moriarty: No. We have reprioritised to some extent. When we first started resourcing our EU exit work, we moved 370 people who had been



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doing other things—in some cases, other things related to EU work—on to doing EU exit work. They were not backfilled, so in effect that became our contribution from our “business as usual” work to EU exit. We are running a tight ship and we have a lot of additional work to do, so we are maintaining our commitment to deliver the spending review settlement and discussing with Treasury how we fund the identifiably new work that comes from EU exit.

Q30 Layla Moran: I see. In what areas do you plan to make those efficiencies for the spending reductions? Where is the axe going to fall?

Clare Moriarty: We have a significant programme around our corporate services. For example, there are our “business as usual” IT systems. Historically, across the DEFRA group, which includes the core Department and our arm’s-length bodies, we have had two large computer systems. A project has been running for some time to replace those with a modern suite of contracts that cover all our bodies. That is a major source of savings.

We have been moving to consolidate all our corporate services teams across the group so that we can streamline processes and work more efficiently. We have done some work, which I am sure David can talk about, around field service transformation. That is looking at how we reduce the number of farm visits that are carried out and how we streamline and avoid a situation where people from different organisations go to the same farm, not very far apart in time, needing to look for similar things, using better technology to capture that information.

Q31 Layla Moran: Mr Kennedy, did you want to come in on that?

David Kennedy: Just to elaborate on Clare’s example, the Animal and Plant Health Agency and the Rural Payments Agency both send people to the same farm, when one person could go to that farm and do both of the jobs. That is our field force programme. It has made very significant savings. We think that over the next year it will release maybe 50 people, building on the efficiencies we have already made.

A different example is that in the Rural Payments Agency we have a change and design team with about 150 people in it. Arguably, that would be oversized if we did not have EU exit. We are saying let us keep the people we need to do change and design work at the RPA, but let us see who we can release which will not have a damaging consequence, and let us release them for EU exit and not backfill them—effectively a way of making a saving.

Q32 Layla Moran: I am hearing words like “release” and “consolidation”: are we talking about reductions in core staff, Ms Moriarty? Is that what we are talking about?

Chair: We just heard about the figures you are recruiting, didn’t you, the 1,100 you are recruiting, but you—

Layla Moran: That’s for EU work, but this is for the other savings.



Clare Moriarty: We were expecting to reduce our numbers probably more significantly than we are currently planning to do. In some areas, where we are reducing the number of business-as-usual roles, the individuals who have skills and expertise we are then moving into new areas covered by the EU exit programme.

Q33 **Layla Moran:** What proportion of the staff you currently have will move to new roles?

Clare Moriarty: Of the staff currently there, I couldn't give you an estimate, because we do not yet have the precise numbers for roles we are recruiting to. As well as the 370 people who we moved from existing work on to EU exit work at the start of the process, we think about 200 people have applied for and got jobs in the EU exit areas.

Q34 **Layla Moran:** How is that impacting staff morale? It sounds like a lot of churn, a lot of change, and to be fair your Department has taken the brunt of a lot of the cuts that have happened since 2010—it has been a long while of pressure on your Department—so how is morale doing in your Department?

Clare Moriarty: Morale is actually very good. Civil servants are energised by having difficult problems to solve—

Chair: Says the permanent secretary.

Clare Moriarty: Exactly. Each year we have an annual people survey that is undertaken in all parts of the civil service—though not everyone in the DEFRA group is a civil servant—and we had a very significant increase in our engagement index, the core measure there. People feel under a lot of pressure, and all of us are very aware that we need to be careful of people's wellbeing and that we are not asking too much of them, but there is a sense of people feeling quite energised by the work they need to do.

Q35 **Layla Moran:** Before I pass back to the Chair, is a yearly survey enough given the pace of change?

Clare Moriarty: The yearly survey is the full scale one for the civil service people, which is done for about 400,000 people, and we supplement that locally with pulse surveys—smaller scale surveys often of a sample of people. Our strategy directorate, which is one of the places that is most engaged in EU exit, actually runs a monthly wellbeing survey.

Q36 **Caroline Flint:** We see a lot of male permanent secs with knighthoods. Maybe you need a damehood, Ms Moriarty, at the end of all this. Let's wait and see—

Clare Moriarty: I am not sure what to say to that.

Caroline Flint: We've blown it now. There are too many male MPs getting knighthoods as well, by the way.

Sir Geoffrey Clifton-Brown: Jealousy!

Caroline Flint: Just saying. Anyway, it is quite interesting: page 17 of the



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Report outlines the amount of money that the Department has had to save, as well as the extra money it has got for its activities around us leaving the European Union. On page 19, it identifies that DEFRA will need 1,200 new posts—so some quick questions, if I may. Does that mean that DEFRA could be in the position of giving redundancy payments to many staff, many of whom may then reapply for some of these new Brexit-related jobs?

Clare Moriarty: We are absolutely trying to avoid that, and I think we are avoiding that very successfully. We have been very clear that where people have got skills that can be deployed elsewhere in the organisation, either directly on EU exit work or filling roles made vacant by people moving, we will keep people within the organisation. So we have actually spent very little on redundancy payments in the last year, because by and large we have tried to recycle people.

- Q37 **Caroline Flint:** Do you feel confident that you won't have a situation that we have seen in, say, the health service, where they have let a lot of people go and then actually re-employed them after issuing redundancy payments? Do you feel that that is not going to happen here?

Clare Moriarty: I feel confident that that is not going to happen, yes.

- Q38 **Caroline Flint:** Will there be more, fewer or the same number of staff in the post-Brexit equivalent, whatever that is going to be, of the Rural Payments Agency, or any of the other agencies currently delivering EU policy and grants?

Clare Moriarty: I invite David to join me in speculating on that, because the reality is that we can only speculate. One of our major programmes within the portfolio is the future farming work. As David said earlier, we need to work out what the policy is and what schemes we are going to use to support environmental enhancement and agriculture.

- Q39 **Caroline Flint:** You may want to pass to Mr Kennedy on this one. I know there is a lot of speculation, but there is a point at which you have to be able to identify the task to be done and the personal resource that you need to attach to it. When do you think that will be completed, Mr Kennedy?

David Kennedy: As we have already said, we published the consultation last week. It will run for 12 weeks and we will take stock after that. We will then develop a sense of what we are going to do as we introduce the Bill to Parliament during this Session. That will be in the next months; it will not take years.

Once we have a sense of what we will do, we will agree our business case with Treasury and start to get on with it. The 1,500 people who are currently at the Rural Payments Agency will be there through an implementation period, for example, and will be there after an implementation period to the extent that we continue to deliver the current policy.

- Q40 **Caroline Flint:** During the transition period after we leave?



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David Kennedy: Absolutely, but as we get further out in time and move to a new system—the consultation paper envisages quite a radically different system—the delivery landscape will change, potentially quite significantly.

- Q41 **Caroline Flint:** Do you have any sense that we will be able to be smarter in our delivery and spend less money than we are currently paying in to these agencies?

David Kennedy: The objective will be to be smarter, absolutely. We know that one of the problems with the CAP is the bureaucratic nature of the regulation; it requires too many people and it has too many checks that do not benefit us in terms of environmental outcomes. That is at the front and centre of our thinking as we develop a new policy: how can we do something that is lighter-touch and more proportionate but still achieves those outcomes? The consequence is that that will require less bureaucracy.

Clare Moriarty: To be clear, we are not waiting for a new system in order to look at those areas of efficiency. Within countryside stewardship, which is part of the common agricultural policy system, we have been looking at how we make the packages simpler, so that is it is simpler for people to apply and so that they are simpler to process.

We are also using some of the tools that have come out of Michael Barber's review to look at how we make the payments. We are constantly trying to streamline what we have got, and also think about how we can design something for the future—not only in terms of how we do the processing, but in things like inspections and monitoring. There are lots of new smarter ways of doing that kind of work than the way we have done it in the past.

- Q42 **Caroline Flint:** Are you exploring the possibility that, as a result of a review in the future, you might bring some of the more arm's length agencies in-house?

Clare Moriarty: We will certainly need to look at what will be the right delivery landscape. The configuration of arm's length bodies that we have at the moment may or may not be the right one in terms of how many bodies there are, what they are doing and whether the activity is carried out in non-departmental public bodies, Executive agencies or the central Department. That is all part of a future phase of work, but it would be very foolish for me to sit here now and say that I am absolutely confident that this will all look the same. Everything else is changing, so we have to keep asking ourselves what the best way is—organisationally as well as operationally and technologically—to deliver the services that we need to deliver.

- Q43 **Caroline Flint:** Are the 1,200 new posts being externally advertised, or are they looking for internal transfers first?



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Clare Moriarty: By and large, they have been externally advertised, but people from the Department, from our arm's length bodies and from other parts of Whitehall have applied for and got those jobs.

- Q44 **Caroline Flint:** It would be helpful if you wrote us a note on how many have been opened to external applications, rather than only to internal recruitment first.

Clare Moriarty: I will happily write, but I think upwards of 30% have gone to external.

Chair: We certainly have an interest. No MP can recruit in London at the moment because everyone is being scooped up by Government Departments.

Caroline Flint: For the record, Sir Geoffrey Clifton-Brown deserved his knighthood.

Chair: For his hard labour on this Committee in the last couple of months. Our knight of the realm, Sir Geoffrey.

- Q45 **Sir Geoffrey Clifton-Brown:** Ms Moriarty, can I get to the flipside? My colleague, Layla Moran, asked about the efficiency savings you are going to make. Can I ask you about the additional funds that you require from the Treasury in relation to Brexit and try to get the figures nailed down? As I understand it, you were granted £94.4 million in 2017/2018. You estimate that you will need another £178 million in 2018/2019. Of those two figures, as I understand it, you have drawn down £67.4 million. So around £200 million in additional resources—is that what you contemplate you will need for the next year or so?

Clare Moriarty: I know this is an unwelcome answer, but we are in the middle of a negotiation with the Treasury, which is having to do a very difficult task of looking at all of the demands from all of the Departments across Government, and working out what is the right allocation of their fixed pot of money. I really do not want to put specific figures on the table. I am sure that when the Treasury has finished its process of allocation, it will come forward and explain how it has done that.

- Q46 **Chair:** When do you need that money by? When do you need that decision by the Treasury in order to be able to progress things?

Clare Moriarty: As soon as possible. We are hopeful of getting it quickly. We have a good degree of comfort that the element of the funding we are talking to the Treasury about, which is rolling forward the costs of people we have already recruited, will be covered. Then we have to look at what can we do at risk, if necessary.

- Q47 **Chair:** Okay, so might you issue any more ministerial directions?

Clare Moriarty: The ministerial direction that was issued was specifically to do with work, which we technically do not have vires to do until the European Union (Withdrawal) Bill receives Royal Assent. The only thing that would mean that we needed more ministerial directions would be if



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the timetable for Royal Assent changed significantly, such that we needed to go on doing a lot more work without that cover.

- Q48 **Chair:** So you are not going to ask for a ministerial direction because the Treasury has not agreed some money for you in time?

Clare Moriarty: I am not anticipating that.

Chair: You are not anticipating—that is a very good civil service answer.

- Q49 **Sir Geoffrey Clifton-Brown:** Talking about civil service answers, I recognise that “as soon as possible” can mean an awful lot. Are you expecting good news next week?

Chair: Tuesday?

Clare Moriarty: I will stick with as soon as possible, if you don’t mind.

Richard Brown: It may be helpful—

Chair: Ah—the Treasury is stirred to speak.

Richard Brown: We hope there will be an announcement in the next couple of weeks, but as Clare Moriarty said, there are obviously discussions ongoing at this very moment.

Chair: I have to say—I am sure I speak for the Committee—the sooner the better, because I do not know how, given the huge challenges you face, with 80% of your work coming from Europe, you can make progress without that certainty.

- Q50 **Anne Marie Morris:** Ms Moriarty, how are you finding the co-ordination and co-operation across Departments? Inevitably, you are going to be, in some areas, conflicted, or at least there is a risk of tension. From DEFRA’s perspective, for example, you want continuity of some of the systems that we have—food safety, animal welfare—because if that stays the same, it makes the farmer’s life much easier, never mind yours. While at the same time, the Department for International Trade is looking at how we can get free trade deals, and if we are going to have free trade deals, we need some flexibility in the rules and regulations, and we need scope for change. Clearly there is a political issue, which is not for you; but there is an organisational issue, too. How do you deal with that almost in-built conflict about what each of you is trying to achieve, when we want one UK plc answer?

- Q51 **Clare Moriarty:** I think the co-ordination between Departments is pretty good and I know that my colleague Antonia Romeo is appearing before you immediately after us. I mentioned earlier the system of official committees that support the Cabinet committees. The upside of being one of the Departments that is most involved in Brexit is that we are part of all of those committees. We are part of regular discussions with the other Departments. As civil servants, we aim to do a lot of the threshing in the undergrowth. Ultimately, as you say, these are big political decisions, which will be made by the Cabinet, or by Cabinet sub-



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committees. We try to ensure that each Department understands the position of others and where there are solutions that may not be immediately obvious, but where we can find things that do fit together, we find them. Ultimately, our job is to ensure that we can articulate and present options that Ministers can then decide on.

- Q52 **Anne Marie Morris:** So have you got a formal conflict management process, so that when there is something really meaty and difficult on which there are clear differences of principle, you have a mechanism whereby you can support the politicians with a way out? **Clare Moriarty:** Essentially, that is what the Cabinet Committee system exists to do. The economic and domestic secretariat within the Cabinet Office will bring Departments together if there is a conflict or tension between Departments, certainly on non-EU issues, and facilitate a discussion that reaches either an agreement or a clear articulation of the options that can then be put to Ministers. DExEU, to a large extent, sits in that role in terms of EU exit work. Philip Rycroft chairs the key official meetings.

We then also have the border planning group, which has been put specifically in place to avoid a situation in which a number of different Departments, all of which have interests in the border, come up with their own solutions, and we then face a problem fitting them together. That group is very much about pulling all those aspects together.

- Q53 **Anne Marie Morris:** In a sense there is a challenge, isn't there? You want everybody co-ordinating and talking, but that can also lead to excessive bureaucracy. I looked at the great big list of all the different bodies on page 12 of the NAO Report, under "How DEFRA has set about its task". We have a new governance structure: an EU exit programme board, policy and cross-cutting EU exit boards, a separate programme management office, and a design authority. I cannot help but feel that, although communication is a wonderful thing, bureaucracy is not. How on earth does that system help you to do your job and get UK plc out the other side of Brexit with a successful outcome?

Clare Moriarty: I will say two things about governance. First, in my experience it always looks worse written down on paper than it does if it works effectively, because governance is about relationships. The other thing that I would say, which may contradict what I have just said, is that we are looking at our governance structures at the moment. We went through a review process in the first part of last year, and put a new structure in place with some governance. We have worked with that and lived with that, and we are looking at the moment to make sure that it is as streamlined as possible. What you have there is not just our EU exit governance, but the way we bring the Department together.

From my point of view, the most important thing is my team. Because, as I say, Brexit is so big for us, David has a set of responsibilities, Sonia has a set of responsibilities, and Nick Joicey, who is our director general for strategy, EU exit and finance has a set of responsibilities, as Betsy Bassis, our chief operating officer, does. We meet very regularly. We spend quite a lot of time together and make sure that we are having the conversations



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that allow the issues to surface, and that we are looking at the right management information to be able to spot where problems are occurring.

- Q54 **Anne Marie Morris:** Given the number of workstreams—more than 300, which you are all trying to manage together—do those of you on your side, dare I say, of the fence know what they all are, so that at least you can see how they pull together or where they pull apart, and you can manage this process? Otherwise, the transparency just would not be there, which would make it almost impossible to do your job.

Clare Moriarty: I do not have personal visibility of all 313 workstreams. I suspect that, as in our portfolio, there are a small number that constantly crop up. Whether you ask about the ones that I am most worried about, the ones that are the highest priority, or the ones with the biggest impact, you tend to come back to the same six to eight out of our 40-something, and potentially 70-something.

We tend to know about the bits of other Departments' programmes that either have some particular point of contact with our own, or are the ones that are just the biggest. Most of Whitehall will have heard of our import controls, because it is one of the areas that gets talked about a lot. I certainly could not name you 313 workstreams, but the point of having the right working environment is that we can access the information that we need.

- Q55 **Anne Marie Morris:** But who makes the decision about who gets to know what?

Clare Moriarty: DExEU is the place where all that information comes together.

- Q56 **Chair:** If you wanted to get it, could you? We are a bit puzzled by that. If you needed to know something, is there a secret locked box that has the list of 313 in it that you do not have access to, or can you get that information if you need it?

Clare Moriarty: I certainly feel that I can get the information that I need. I have not tried asking for 313 projects, because I am not sure what I would do with the information. David sits on the board of the planning group and is therefore closely joined up with the other Departments doing work on the border. He might be able to give you information about other Departments' border projects.

David Kennedy: Absolutely. I talked before about the import control system having an interface with the broader customs system. It is really important for us to join up there, which we do through a formal borders group that co-ordinates across Whitehall, with the Home Office, HMRC, Treasury and various other Whitehall organisations, but we do not just rely on that meeting. We have very close working with the border co-ordination team that sits in HMRC under Karen Wheeler, who you have had as a witness here before. We work very closely there as well on, for example, the interface between the import control system and the customs system, our export approach, and our plant imports and exports



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as well as the food exports. There is very close working on a whole range of issues, and there has to be, particularly at the border, because if we just focused on our bit of the border and they focused on their bit of the border and there was no join-up, that would be a recipe to fall over. We do not operate that way.

Q57 Anne Marie Morris: So you do not stay awake at night worrying about what you do not know. You worry about what you do know.

David Kennedy: There is plenty to worry about in what I do know in getting these projects over the line, and joining up with the projects we know we have to join up with. We are always asking questions about other things that we do not know but need to know, and bringing them into our scope of work as well.

Q58 Anne Marie Morris: I am glad to hear it.

One of the key things about this is ensuring that all the relevant stakeholders are involved. It is often very easy just to go to the obvious—the various political and/or trade bodies around the country. Could you give us some examples of the bodies that you have spoken to and plan to speak to in the next six months?

Clare Moriarty: Yes, certainly. Again, I might get my colleagues to talk about the respective sectors. Sonia, do you want to start?

Sonia Phippard: Just to give a different example, on the fisheries side, one of the areas where things would change in a no-deal scenario is a requirement for catch certificates for all imports and exports into the EU. We have talked both to fishing organisations and, where we have had opportunity, to individual fishermen and seafood industry producers.

Q59 Anne Marie Morris: How do you find those people? Finding individuals is quite difficult, isn't it? It is much easier if there are groups.

Sonia Phippard: The teams find individuals by going to local places and meeting local stakeholders. That is a not particularly scientific way, but it is a useful way of testing what the organisations are telling us.

Q60 Anne Marie Morris: So where have you been?

Sonia Phippard: The team has been to Grimsby. They have been to Scotland. They have been to the south-west.

Clare Moriarty: I have been to Selsey.

Sonia Phippard: And of course the Marine Management Organisation is based around the coast and has contacts. In that particular instance, we have been talking both about what would happen if there is no deal and the maximum additional work for the sector, but also about what the solution could look like and what approach to that particular problem the fishermen and the producers would find the most user-friendly.

Q61 Anne Marie Morris: And the regulators too?

Sonia Phippard: The regulators are part of the conversation, absolutely.



- Q62 **Anne Marie Morris:** Okay. What about from the farming perspective? Can I ask about the NFU? The referendum showed that the guys at the top do not necessarily reflect the views of their membership.

David Kennedy: There is a programme of very extensive engagement, with regional events all over the country over the next 12 weeks, as part of the consultation. We will be talking and listening to as many people as possible.

I keep coming back to food. On food—the imports and exports, the new import system, the export health certificate system—we are talking with food manufacturers, food retailers, the British Retail Consortium who represent the retailers and the Food and Drink Federation on the manufacturing side. We have just established a food sector council that we can engage with on those issues. We are talking through the scenarios that we are planning for, whether that is what we want to achieve, which is a deal, or what we cannot rule out at the moment, which is no deal, and the consequences of that. We will have to take stock after the European Council and then think about the messaging, but that is a broader issue for the Government—what is the messaging and the next stage of those discussions as we go forward?

- Q63 **Anne Marie Morris:** Okay. I am slightly confused, because if you do not know what the deal is, it is quite hard to talk to people about something that you do not know about. It would be much easier in a no-deal situation. Given that we know that, in any event, we are going to be out and you will have to set up all these new organisations and regulatory bodies, it is going to be important to get this right.

David Kennedy: We hope we will have some clarity there soon. The two things we are looking at in the near term are an implementation period, in which case things will stay largely the same, or no deal, in which case there will be actions that we will have to take and that food exporters, for example, will have to take, and we will need to work with them on that.

Anne Marie Morris: One of the biggest challenges is that these areas are all devolved to the different parts of the United Kingdom. I know that my colleague, Mr Graham, has some particular questions on that.

- Q64 **Luke Graham:** Thank you. I have a question for Mr Kennedy and also Ms Moriarty. Of the new governance structure and these four boards that you have, which deals directly with the devolved Administrations?

Clare Moriarty: We deal with the devolved Administrations in every part of our work. Almost everything that we deal with is a devolved matter. We have cross-cutting workstreams, one of which is devolution, and one thing we require of all our projects is that they can account for the devolution impact on the project.

We have formal structures in place for regular contact with the devolved Administrations; there is a senior officials group and a regular ministerial group. The reality is that that is the visible governance—it is the tip of the iceberg of a huge amount of work that is going on. We have been through a series of deep dives—two-day intensive processes, workshopping in each



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of the areas of interest and really working through what the future framework might look like, which areas might need legislative backing, where a memorandum of understanding will work and in which areas divergence will not be a problem, from a trade point of view.

When I asked the question, I was told there had been 75 separate meetings with the devolved Administrations. However, the most important thing is actually the solid blocks of time that are spent working through. I know that David was involved in one of them.

David Kennedy: Yes. We have had deep dives recently on the future of farming, before we issued the consultation paper on food, in which we ask whether we need a UK framework in certain respects such as labelling or geographical indications—protected food names, like Scotch whisky and feta. On animal health, for example, do we need a UK approach to disease response? Those are ongoing and very constructive discussions.

Q65 Luke Graham: What you are telling me is that, across the governance structure for boards, pretty much all of them will touch the devolved Administrations in one way, shape or form; the devolved Administrations will feed part of it. A concern voiced by the devolved Administrations is that they are not getting the right level of consultation. Although there is some uncertainty around exactly what the final deal will be, surely on the UK frameworks we are reasonably clear on what we are going to get?

The NAO Report says: “Defra works closely with other departments to exchange information and ensure that Defra’s work with the devolved administrations is in line with the UK Government’s agreements with them.” There are no agreements yet. Do you have at least official-to-official agreement on infrastructure or the use of IT systems, for example? We don’t want to repeat the problems we had with the CAP payment system, where Scotland developed its own and it wasn’t as good. Have you progressed those conversations?

David Kennedy: Yes. For example, on the import control system, we are working closely with the devolved Administrations and they have fully bought in to the approach there.

Clare Moriarty: When I talk to my counterparts in the Scottish and Welsh Governments and the Northern Ireland Executive, they say that they regard DEFRA’s level of engagement with them as exemplary. That is partly because we are very used to having those conversations with the devolved Administrations. In areas like fisheries, there is a long tradition at the Fisheries Council of the UK Government Minister occupying the seat, but on the basis of real-time discussion with counterparts. We have quite a lot to draw on.

I keep testing it, because it is really important that we connect with the devolved Administrations. If I ever get a message from someone saying they are a bit concerned about what is happening, we chase up to find out



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the area that that is happening in. However, generally speaking, my dip testing is getting quite feedback.

- Q66 **Luke Graham:** So from a devolved point of view, the officials are doing great; it is the politicians who are the problem.

Chair: Go on—try that one, Ms Moriarty.

Clare Moriarty: They are devolved Governments, and it is really important that we respect the fact that the politicians in the devolved Governments have got their own positions. I think all the politicians are working very well together. As I said, our job is to make sure we get as much of the undergrowth out of the way as we can, and have good relations and lots of shared information, such that difficult political discussions are taken the best possible way.

Chair: You deserve your damehood for that.

- Q67 **Luke Graham:** You said that there have been 75 meetings, but I would be grateful if you could write up how many hours have been spent. Seventy-five meetings sounds like a lot, but if they were just five-minute coffees, it is not substantial. It would be good to get the number of hours that have been spent on it.

Clare Moriarty: We will certainly do that. I will be interested to see it. I think it is probably quite a lot of hours.

- Q68 **Sir Geoffrey Clifton-Brown:** You have got all your ongoing concerns—all your normal work—you have got 33 arm's-length bodies, you have interaction with virtually all Government Departments, you have got to do your devolution work, 80% of your policy is EU-driven and has got to be changed, and you have got to have systems in place. Is it all doable and shoehornable by the end of March 2019?

Clare Moriarty: I come back to what I said at the start: we are constantly looking at what we actually have to do in our various different timescales. If we are looking at a no-deal scenario at the end of March, as we sit here now I think we can make sure the functions we need to perform are performed. They won't be performed as slickly as they are at the moment, and they won't be performed as slickly as they will be if we have the benefit of an implementation period, which will enable us to make changes over a longer time period and will give us more time to prepare business and other people to make those changes.

I keep testing this, and I think we can do what we need to do if we need to do it in a no-deal scenario. When I look at the potential timescale of an implementation period, my level of confidence goes up, because we have more time. We will be able to start to make progress on some of the things for which we know we will have quite clunky fixes in a no-deal scenario, and we will also be able to do everything we do with a higher level of confidence and a higher level of engagement.

- Q69 **Chair:** Right. There are 387 days to go until Brexit, and there is a lot to do in that time. When do you need to know whether it is no deal or a

transition period?

Clare Moriarty: Well, we can only know for certain whether it is no deal or a transition period at the point when the negotiation process with the EU has got to—

Q70 **Chair:** But when do you practically need to have an answer? It could go right up to the wire. How long can you keep running on a twin track?

Clare Moriarty: We are hopeful that the March European Council will move us forward, and then we can take stuff across Government about the proportionate response. At the moment, we are putting quite a lot of effort into our no-deal scenarios. Although we regard it as having a low probability, you can't plan for 5% of a solution—either you plan for a solution or you don't.

We are trying to make sure we have got solutions in place that are reasonably strong and robust, and are as good as we can possibly make them. After the European Council, and hopefully a strong political commitment to an implementation period, we may be able to review exactly where the balance of our effort goes. I don't think we are going to be in a position to say, "We are not planning for no deal," because, from a negotiation point of view, that is not going to be a scenario we will have in hand.

Chair: Okay. That outlines some of the challenges you are facing. We recognise your Department has an awful lot on its plate, with 80% of its workers, as Sir Geoffrey highlighted again, connected to European rules and laws. Thank you very much indeed for your time. The uncorrected transcript will be up on the website in the next couple of days. We are considering how we report on this in the next session and in our work generally on how prepared you all are to get the UK ready to leave the European Union. Thank you very much indeed.