



Department
for Exiting the
European Union

Department for Exiting the European Union

Annual Report and Accounts 2016-17

Department for Exiting the European Union

Annual Report and Accounts

2016-17

(For the year ended 31 March 2017)

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PERFORMANCE REPORT

Overview

1 Forewords to the Annual Report and Accounts 2016-17

Foreword from the Secretary of State

In June 2016 the British people made the historic decision to leave the European Union. The Government was clear from the outset that the will of the people had to be respected. Delay and uncertainty would benefit neither us nor our partners in Europe. After the 2017 General Election, where four fifths of the electorate voted for major parties backing the UK leaving the EU, it is even more important that we provide certainty and stability by delivering on that referendum result.



What we have begun within the newly created Department and across Government since the referendum will impact millions of people for years to come. To say this Department's first year was busy or momentous will not only be obvious to many people but is also quite an understatement.

The formal negotiations to start our exit from the EU have now begun, laying a foundation for the discussions to come where we are seeking to agree a new deep and special partnership with the EU. In the time between the referendum and the start of those negotiations, the Government established this Department, set out a clear programme of objectives for leaving the European Union in two White Papers – one setting out our twelve point plan for leaving the EU, the other outlining the Repeal Bill – passed the legislation required to trigger Article 50 and started the two-year process we have now entered. We have used this time to develop our thinking on all of the challenges and opportunities created by the UK leaving the EU.

We are now in a strong position to deliver a smooth and orderly exit. We have always said that we will speak to anyone and everyone to ensure we get the right deal. The Department has led the work across Government to identify and seize the opportunities created by leaving the EU. We have led work with our partners and stakeholders in the devolved administrations, Parliament and business and civil society. We are seeking a deal that is in the national interest and works for everyone in the country, irrespective of their background, where they live, or how they voted.

So as the first year and first phase of the UK's exit from the EU has ended, another year and another phase start with the negotiations for our exit deal now underway. I know that with the continued energy and creativity shown by the Department so far, we will deliver a deal that works for everyone.

Rt Hon David Davis MP, Secretary of State for Exiting the European Union

Foreword from the Permanent Secretary



This has been an extraordinary first year for the Department. The task of supporting the Government to deliver its programme for exiting the European Union is one of unprecedented scale and complexity. I am immensely proud of the creativity, flexibility, and energy that officials in the Department have shown.

Along with colleagues across Government, we have helped to deliver the legislation for triggering Article 50, published a clear programme of policy through two White Papers, and facilitated six Joint Ministerial Committee meetings and 11 Ministerial oral statements to Parliament and debates. All of this on top of significant amounts of preparation for the negotiations with the European Union, which have now formally started.

We started as a small team in July 2016 but by the end of March 2017 had grown six-fold, and have continued our steady growth since then. For the financial year 2016-17 we established a budget that provided sufficient flexibility for a range of different planning scenarios as we moved through our initial set-up phase. Ultimately, the Department was able to establish itself and deliver during this period within a reduced expenditure profile. We will continue to undertake regular reviews of our structures and operating expenditure to ensure funding remains appropriate.

We have recruited first class officials from across the Civil Service to complement the skilled and experienced team we started with in London and Brussels, brought in new skills and capability from outside and made it our mission to attract and develop great people. It is also a task that, from the outset, has relied on close working with our colleagues across nearly all the Departments of State to help the Prime Minister and her Cabinet develop a programme for exiting the EU and prepare for the negotiations.

Being a new and growing Department, we have the opportunity to try new ways of running the organisation and engaging our staff. We set up a Shadow Executive Board early on to ensure the senior leadership decisions on running the Department were properly informed by the views of staff not yet in the Senior Civil Service. We also have a vibrant Equalities Network of people at all levels helping raise awareness, provide support and foster integration on a range of issues.

We have also set out three values that describe our aspiration for the kind of organisation that we want to be. First, we embrace our exceptional context with dynamism, rigour and professionalism. Second, we are empowered to deliver, bringing new thinking to challenges we face. Finally, we foster collaboration by respecting and valuing diversity. I am pleased to say that I see lots of evidence of these values being demonstrated every day in the Department.

I am very proud when I look back at what the Department has achieved over the past year, and how our people have consistently worked with flexibility and creativity in handling a range of complex issues. I am confident we will continue with the same level of professionalism, commitment and energy to support the Government in delivering for the whole of the UK.

Oliver Robbins CB, Permanent Secretary and Accounting Officer

Non-Executive Board Member's Report

We joined the Department in April 2017 as its Non-Executive Board Members. The Department is new and has a unique and unprecedented mission of leading the negotiations to leave the European Union and establishing the future relationship between the United Kingdom and the EU. The role of the Non-Executive Board Members in the Department is to provide advice and bring an external perspective to departmental business. Our particular focus is to support the effective operation of the Department so that it is well placed to deliver its objectives.



Margaret Stephens



Susan Hooper

Board activity

A set of corporate governance arrangements enabling the Permanent Secretary to steward the Department's resources and manage risk are in place to support the policy and programmes activity.

DExEU's Executive Board, chaired by the Permanent Secretary, has met regularly during the year. We have both attended the Executive Board meetings since our appointment. The committees that report into the Executive Board, with a remit focussed on the Department's security arrangements and operations, along with a 'Shadow' Board, have also met regularly.

The Audit and Risk Assurance Committee met in "shadow" form in November 2016 and was chaired by an independent external member. This allowed the regular attendees of the meeting to gather for the first time and gauge the progress made in setting up the Department, and provided an opportunity for constructive and impartial challenge to take place including from the National Audit Office and the Government Internal Audit Agency.

A subsequent meeting was held in April, from when Margaret became the Chair of the Committee, with the first quorate meeting taking place in June 2017, which was also attended by Susan and a third independent member. Going forward, the Committee will meet five times per year to support and advise the Boards and the Accounting Officer on governance, risk management, the control environment and the integrity of financial statements.

Board Effectiveness

Effective and, most critically, agile governance is essential in order to support DExEU's evolving needs. These have been, and continue to be, regularly reviewed to ensure they always support effective and efficient decision making. We will continue to monitor and adjust the Department's governance structures during 2017-18 and review their effectiveness.

In the final quarter of 2016-17, the Government Internal Audit Agency conducted an initial review on the Department's governance and risk management arrangements. The review looked at the set up phase of the governance and risk management arrangement for the Department. It found arrangements the Department had put in place to be aligned with good practice for a central government department; particularly the quality of papers and minutes and the establishment of a Shadow Executive Board – and in risk management –

Forewords

particularly the identification in detail of risks across Directorates. Areas identified for immediate attention were completion of the appointment of Non-Executive Board Members and further work on governance and risk management arrangements. We will continue to build on these findings going forwards.

Margaret Stephens, Non-Executive Board Member and Chair of the Audit and Risk Assurance Committee

Susan Hooper, Non-Executive Board Member

2 Purpose

The purpose of the Overview is to provide a summary of the Department for Exiting the European Union (DExEU), its purpose and its objectives, its performance against its objectives, and the risks the Department faces in achieving these.

3 About the Department for Exiting the European Union

3.1 The Prime Minister established DExEU in July 2016. The Secretary of State for Exiting the European Union is supported by staff in Whitehall in addition to the UK Permanent Representation to the EU (UKRep), based in Brussels.

3.2 The Department is responsible for managing the process of exiting the United Kingdom (UK) from the European Union (EU), which includes overseeing the negotiations to leave the EU and establishing the future relationship between the UK and EU. Though DExEU will have an instrumental and influential role in this process, any policy consequences from the UK's departure will continue to be the responsibility of the individual lead departments and not DExEU.

3.3 Our objectives are to:

- lead the UK's negotiations to leave the EU and establish a new partnership between the EU and the UK;
- work with the devolved administrations, Parliament, and a wide range of other interested parties throughout the negotiations;
- lead and coordinate cross-Government work to seize the opportunities and ensure a smooth process of exit, including the required domestic legislation, on the best possible terms;
- continue our work across Whitehall and in Brussels to ensure collective Government on European business, exercise our rights and meet our obligations as a member of the EU until we exit; and
- attract and develop great people and organise ourselves flexibly to deliver our objectives efficiently and effectively.

3.4 The Department has evolved over the course of the year as the shape of the Government's programme for EU exit has developed, and as the Department has readied itself to enter the formal phase of negotiations. Regular resource reviews have taken place in order to ensure that the Department's structure remains suitable, and that it has the right quality and quantity of skills and resources in place to deliver its objectives. The current organisation chart for DExEU is available on the Department's GOV.UK¹ website.

¹ https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/609968/Untitled_presentation__2_.pdf

4 Performance Summary

4.1 The Department has delivered and coordinated a considerable amount across Government since it was established by the Prime Minister in July 2016. It was formed by combining staff and the functions of the Cabinet Office's Europe Unit, the Europe Directorate of the Foreign and Commonwealth Office (FCO), and the UK's Permanent Representation to the EU (UKRep); however, UKRep continues to operate as part of the FCO². The Department has grown from just 56 staff when it was formed in July 2016, to 384³ as at 31 March 2017, and will continue to grow over the next year.

4.2 On 16 March 2017, the Department secured Royal Assent for the European Union (Notification of Withdrawal) Act. It has also delivered two White Papers: on the UK's exit from, and new partnership with, the EU on 2 February; and on legislating for the UK's withdrawal from the EU on 30 March. The Department has led preparations for the formal start of the negotiations, which was enabled by the Prime Minister triggering Article 50 on 29 March 2017.

4.3 The Department has also continued to lead on coordinating departments across Whitehall on European business, in line with the responsibility previously held by the European and Global Issues Secretariat (EGIS) in the Cabinet Office.

² Prime Minister, Written Ministerial Statement, Machinery of Government Changes, 18 July 2016: <https://hansard.parliament.uk/commons/2016-07-18/debates/16071825000004/MachineryOfGovernmentChanges>

³ 339 permanent staff, 30 fast-streamers, 9 secondees and 6 agency staff

Performance Analysis

5 Performance Reporting

Lead the UK's negotiations to leave the EU and establish the future relationship between the EU and the UK

5.1 The Department has led and coordinated policy work across Government to help shape the 12 objectives for the negotiations set out by the Prime Minister in her Lancaster House speech on 17 January 2017. The White Paper on the UK's exit from, and new partnership with, the EU, published on 2 February 2017, provides a comprehensive articulation of our objectives and the rationale for our approach to the negotiations.

5.2 The Department delivered the European Union (Notification of Withdrawal) Act, which received Royal Assent on 16 March 2017. Following this, the Prime Minister wrote to the President of European Council on 29 March 2017, to trigger Article 50 and give effect to the outcome of the 23 June 2016 referendum. It proposed principles for negotiations to make sure that the process is as smooth and successful as possible, in preparation for them to start in June 2017.

Work with the devolved administrations, Parliament, and a wide range of other interested parties throughout the negotiations⁴

5.3 The Department has engaged with the devolved administrations, the Crown Dependencies and Overseas Territories, Parliament, business, local Government, civil society and others to develop the UK's approach to the negotiations. It will continue to do so throughout the negotiations.

Devolved Administrations, Crown Dependencies and Overseas Territories

5.4 The Department has undertaken multilateral and bilateral engagement with the devolved administrations of Scotland, Wales and Northern Ireland; the Crown Dependencies; and the Overseas Territories. Multilateral engagement with the devolved administrations has included four meetings of the Joint Ministerial Committee on EU Negotiations (JMC(EN)), which are chaired by the Secretary of State for Exiting the European Union. The Department has also supported two meetings of the JMC Plenary, chaired by the Prime Minister, which have focused on exiting the EU. These were also attended by: the Secretary of State for Exiting the EU, other UK Government Ministers, and Ministers from the devolved administrations.

Parliament

5.5 The Department's engagement with Parliament has been extensive and will continue to be so. As of April 2017, DExEU Ministers had given seven oral statements, and there had been four debates in Government time on issues ranging from workers' rights to security cooperation. DExEU Ministers have given evidence to 15 select committee sessions, including two appearances by the Secretary of State in front of the Exiting the EU Select Committee.

⁴ Ahead of triggering Article 50, this objective was previously: 'working very closely with the UK's devolved administrations, Parliament, and a wide range of other interested parties on what the approach to those negotiations should be'

5.6 The passage of the European Union (Notification of Withdrawal) Act provided extensive opportunity for scrutiny and provided an overwhelming endorsement for triggering Article 50. The publication of the Repeal Bill White Paper on 30 March, has provided further opportunity for scrutiny. The Government has also committed to bringing forward a motion on the final agreement between the UK and the EU, to be approved by both Houses of Parliament, before it is concluded.

Other interested parties

5.7 The Department has led work across Government to carry out a programme of sectoral and regulatory analysis. We have looked in detail at over 50 sectors and cross-cutting issues to develop a detailed understanding of how withdrawing from, and establishing a new relationship with, the EU will affect our domestic policies. We have engaged extensively with business, local Government and civil society, including through Ministerial roundtables and meetings.

Lead and coordinate cross-Government work to seize the opportunities and ensure a smooth process of exit, including the required domestic legislation, on the best possible terms

5.8 The Department has worked with Government departments to collect and analyse data to support our negotiating position, and will continue to quality assure this information throughout the negotiations. We are working especially closely with those departments that lead the policy issues that are central to the negotiations.

5.9 We have worked with departments to ensure that they are planning for the consequences of any implementation processes arising from our exit from and new partnership with the EU. In addition to the Repeal Bill, we have coordinated work across Government to ensure that other legislation in relation to our departure from the EU is prepared and delivered. This is with a view to ensuring continuity and certainty, in particular for businesses.

5.10 The Prime Minister established and chairs Cabinet Committees on European Union Exit and Trade and the Negotiations to oversee the exit and the negotiations at Cabinet level, which are supported by a joint secretariat in the Department and the Cabinet Office. The Department has also established a series of cross-Government governance arrangements to coordinate work across Whitehall.

Continue our work across Whitehall and in Brussels to ensure collective Government on European business, exercise our rights and meet our obligations as a member of the EU until we exit

5.11 The Department has continued the previous responsibilities of EGIS in the Cabinet Office in respect of the co-ordination of collective European business and direct support to the Prime Minister on European affairs. Our Ministers have represented the UK at the General Affairs Council since July 2016.

5.12 UKRep, which reports to DExEU and FCO Ministers, has continued to represent the UK's interests as a whole in the EU, on the basis of mandates agreed with Ministers through collective Government processes. UKRep sets out the UK's position, reflecting any specific devolved elements as agreed, as the Government continues to negotiate, implement and apply EU legislation until we exit the EU.

Attract and develop great people and organise ourselves flexibly to deliver our objectives efficiently and effectively

5.13 The Department's governance structures have been established to create an accountable and flexible department that empowers its people and delivers its objectives.

5.14 The Department has grown from just 56 staff in July 2016 to 384⁵ as at 31 March 2017, bringing together officials with a wide range of policy expertise from across Government and outside of the Civil Service. It is also supported by over 120 UKRep staff, based in Brussels, who report jointly to FCO and DExEU Ministers. Staff engagement is a priority for DExEU, with the Department's first People Survey launched in October 2016. The survey was completed by 85% of staff and provided evidence allowing us to: identify areas for improvement; ensure the Department is a great place to work; facilitate staff retention; and equip staff to deliver our objectives. DExEU's staff have also developed departmental values to help make the Department a great place to work that embraces its exceptional context, fosters collaboration and empowers its staff.

5.15 DExEU is also committed to supporting its workforce, and has achieved this through establishing staff networks, building relationships with the recognised trade unions and setting up a Shadow Executive Board to provide opportunities for employees to become involved in how the Department is managed. The Department has also developed a learning and development offer alongside talent management at all grades, and in February 2017 the Secretary of State and the Permanent Secretary signed the "Time to Change" pledge, committing to reduce the stigma attached to mental health.

5.16 Where possible, the Department works with other Government departments to make use of shared services for a range of functions, including the provision of accommodation, IT, commercial, and HR and Finance systems to ensure its corporate activity runs as efficiently as possible. The Department is permanently headquartered at 9 Downing Street, with staff based across two other locations in Whitehall. London-based staff and UKRep staff in Brussels have ensured effective working arrangements are in place – and have taken action to improve these over time – across the Department's locations. The Department's use of the Ministry of Defence (MoD) and Cabinet Office estate means that it benefits from sustainability measures undertaken by these departments. Further information is provided in the sustainability reporting section on page 13.

Departmental expenditure profile 2016-17

5.17 In the 2016 Autumn Statement, the Government announced additional resource for DExEU of up to £51 million in 2016-17, and up to £94 million a year from 2017-18 until the UK's exit is complete, to support the re-negotiation of the UK's relationship with the EU. This funding is in addition to budget transfers from the FCO and Cabinet Office following Machinery of Government changes, which amounted to £7.5 million in 2016-17.

5.18 The Department undertakes regular resource reviews to ensure that its structure and funding remain appropriate. As a result of these reviews, the Department reduced its original 2016-17 budget estimate in December 2016. The revised 2016-17 budget of £50.9 million, comprising £48.9 million of Resource Departmental Expenditure Limit (DEL), £1.5 million of Capital DEL, and £0.5 million of Annually Managed Expenditure (AME)⁶ was subsequently agreed as part of the 2016-17 Supplementary Estimates round and received Royal Assent on 17 March 2017. The long-term budgeted expenditure trends up to 2019-20 are set out in the core tables on page 46.

5.19 During 2016-17, the Department incurred net spend totalling £24.2m, reflecting an underspend of £25.2m (51%) against the total Resource budget. DExEU's budget was developed to ensure there was adequate resource to deliver its objectives across a range of scenarios. The Department ultimately did not

⁵ 339 permanent staff, 30 fast-streamers, 9 secondees and 6 agency staff

⁶ For further information on DEL and AME see Consolidated Budgeting Guidance at https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/503365/Consolidated_budgeting_guidance_2016-17.pdf

require the full budget which it had been allocated in relation to staffing and other running costs. Further detail on DExEU’s variance against budget can be found in the Financial Overview on page 45 and in the Notes to the Financial Statements on page 54.

5.20 The majority of the Department’s expenditure in 2016-17 related to staff costs (£14m, 58%), including pay and allowances, reflecting the fact that DExEU’s main objectives are policy development and coordination.

5.21 After staff costs, the most significant area of spend was legal costs, which totalled £3.7m (15%). £2.2m of this spend related to routine policy (fixed-fee) legal advice provided by the Government Legal Department. Of the remainder, approximately £0.7m relates to Government expenditure on Article 50 and Article 127 litigation and £0.5m relates to court ordered third party litigation costs. The breakdown of these litigation costs is as follows:

				£'000
Case	Legal fees ⁷	Counsel Fees and Disbursements	Other Party costs	Total costs
Article 50	317	333	493 ⁸	1,143
Article 127	28	50	-	78
Total costs	345	383	493	1,221

5.22 Other significant areas of spend includes expenditure on accommodation (£3.4m, 14%) and IT (£1.2m, 5%).

Going concern

5.23 The financing of DExEU’s future liabilities and expenditure is to be met by future grants of Supply approved annually by Parliament. As such, it is deemed that DExEU will operate as a going concern for at least the next year. Further information is available in the Accounting Policies on page 54.

Risk

5.24 Effective risk management is an essential part of ensuring DExEU is able to deliver its objectives. DExEU’s risk management approach has evolved as the Department has grown and matured over the reporting period. Though the Department remains simple in structure, due to our priorities and delivery context there is a need for the Department to be flexible and have a sophisticated approach to risk management. Further information on our approach to risk management can be found in the Governance Statement on page 19.

⁷ Approximately 75% of Article 50 costs (excluding Northern Ireland and other party costs) relate to the Supreme Court appeal

⁸ Other party costs are split between incurred third party costs of £128k for England and Wales and estimated third party costs of £365k for Northern Ireland

6 Performance against Other Required Reporting

Sustainability

6.1 DExEU is committed to ensuring that sustainability is central to its policies and objectives. With the agreement of HM Treasury and Department for Environment, Food & Rural Affairs (DEFRA), DExEU will provide a reduced narrative on its sustainability reporting requirements. Due to the nature of DExEU’s core role to coordinate the whole of Government in exiting the EU, the Department’s policies have a negligible direct impact upon sustainable development, climate change adaptation and rural proofing. Implications on wider Government policy arising as a result of exiting the EU will be managed by the department (or departments) owning the relevant policy.

6.2 The Financial Reporting Manual (FRM) requires specific disclosure in relation to progress against sustainable development. During the year DExEU occupied premises owned by the Cabinet Office and the MoD. Due to DExEU’s comparatively small occupation of these premises, metrics in respect of carbon emissions, waste, paper consumption and water consumption are captured in the respective Annual Reports of the Cabinet Office and the MoD. Where relevant, DExEU will continue to ensure that any policies with long term implications are robust in the face of changing weather, extreme events and sea-level rise arising from climate change. DExEU continues to work closely with the Cabinet Office and MoD via the Estates management team to ensure that sustainability reporting requirements are met and its sustainability footprint is reflected appropriately.

6.3 The number of flights made by DExEU staff is set out below:

	2016-17*
Domestic flights	82
Overseas short-haul flights	228
Overseas long-haul flights ⁹	4
Total flights	314

*Data prior to the formation of DExEU on 14 July 2016 is not available

Other required reporting

Complaints to the Parliamentary Ombudsman

6.4 There have been no cases against the Department accepted for investigation by the Parliamentary Ombudsman.

⁹ Long-haul flights are defined as any flight departing the UK where the destination is outside of Europe, or where the flight departs from somewhere outside the UK and the mileage is equal to or greater than 2,298 miles

Performance against Other Required Reporting

Whistleblowing

6.5 In establishing itself as a new Department, DExEU has designed new policies affecting all aspects of our work and is in the process of planning implementation. As an interim measure, we have been using Cabinet Office policies which has been clearly communicated to staff and to which they have full access. DExEU is in the process of implementing a whistleblowing policy specifically designed by the Civil Service Employee Policy, so is a consistent approach to other Government departments. We have sought volunteers from across the business to undertake the necessary training and act as nominated officers for the Department. They will also be invited to join a cross-Government network of nominated officers to share best practice and learning.

Public correspondence

6.6 From when the Department was formed on 14 July 2016 until 31 December, DExEU received 1,236 pieces of Ministerial correspondence and 4,238 pieces of "Treat Official" correspondence. The Department responded to 68% of this correspondence within 20 working days. In addition, between 14 July 2016 and 31 March 2017 DExEU received 355 Freedom of Information requests, of which 95% were answered within 20 working days.

Health and safety

6.7 No accidents were reported during the period from 14 July 2016 to 31 March 2017.

Oliver Robbins CB
Permanent Secretary and Accounting Officer
Department for Exiting the European Union

14 July 2017

ACCOUNTABILITY REPORT

Corporate Governance Report

7 Directors' Report

Our Board

7.1 To provide the necessary leadership, advice and constructive challenge, DExEU has established an Executive Board, chaired by the Permanent Secretary, which is attended by senior leaders from the Department and, from April 2017, its Non-Executive Board Members.

7.2 The Department also has an Audit and Risk Assurance Committee (ARAC), which comprises of two Non-Executive Board Members and a third Independent Member. From April 2017 the Committee has been chaired by one of the Non-Executive Board Members. Further information on DExEU's governance structure is provided in the Governance Statement on page 19. Members of the Executive Board and the Ministerial Team also met on a number of other occasions to discuss strategy and policy.

7.3 Details of Ministers' areas of responsibility, the Department's Non-Executive Board Members and the Executive Team can all be found on DExEU's GOV.UK website¹⁰.

7.4 Information on significant interests held by Board members which may conflict with their management responsibilities have been reported in Note 12 *Related Party Transactions* on page 64.

Our Ministers for the period July 2016 to March 2017



The Rt Hon David Davis MP
Secretary of State for Exiting the European Union



Lord Bridges of Headley MBE
Parliamentary Under Secretary of State



The Rt Hon David Jones MP
Minister of State



Robin Walker MP
Parliamentary Under Secretary of State

¹⁰ <https://www.gov.uk/Government/organisations/department-for-exiting-the-european-union>

Non-Executive Board Members

7.5 Margaret Stephens and Susan Hooper subsequently joined the Department in April 2017 and as part of their role they are members of the Executive Board and the ARAC, the latter of which Margaret chairs.

Our Executive Directors



Oliver Robbins CB
Permanent Secretary and Accounting Officer
From 14 July 2016



Philip Rycroft
Second Permanent Secretary
From 20 March 2017



Alex Ellis
Director General
From 16 January 2017



Sarah Healey
Director General
From 14 July 2016



Matthew Baugh
Director, Negotiations Coordination Unit
From 1 February 2017



Chris Jones
Director, Justice, Security and Migration
From 31 August 2016



Joanna Key
Director, Engagement and Corporate Strategy
From 14 July 2016



Helen Mills
Director, HR
From 14 July 2016



Richard Ney
Director, Finance and Operations
From 14 July 2016



Antony Phillipson
Director, Trade and Partnerships
From 14 July 2016



Jo Shanmugalingam¹¹
Joint Director, Planning and Analysis
From 14 November 2016



Tom Shinner
Director, Cross-Government Policy Co-ordination
From 14 July 2016



Susannah Storey¹¹
Joint Director, Planning and Analysis
From 14 November 2016



Catherine Webb
Director, Market Access and Budget
From 14 July 2016

7.6 Two directors from DExEU Legal Advisors within the Government Legal Department and a representative from UKRep are also members of DExEU's Executive Board.

7.7 In addition, Sir Tim Barrow (UK Permanent Representative to the EU) works closely alongside the Permanent Secretary to lead and coordinate the work undertaken by the Department in the UK and in Brussels. This includes ensuring a collective Government on European business and exercising the UK's rights and obligations as a member of the EU until we exit. UKRep report jointly to the Foreign Secretary and the Secretary of State for Exiting the European Union.

¹¹ These roles are performed on a job share basis

Auditors

7.8 DExEU's accounts for the year ended 31 March 2017 have been audited by the Comptroller and Auditor General (C&AG). The total cost of the audit is £80,000, and is recorded as a notional, non-cash charge through the General Fund. During the reporting year, no payment was made to the auditors for non-audit work.

Personal data related incidents

7.9 There have been no personal data related incidents during the period from 14 July 2016 to 31 March 2017.

8 Statement of Accounting Officer's Responsibilities

8.1 Under the Government Resources and Accounts Act 2000, HM Treasury has directed DExEU to prepare for each financial year's resource accounts by detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of DExEU and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

8.2 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

8.3 As Accounting Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which DExEU's auditors are unaware;
- I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that DExEU's auditors are aware of that information;
- the annual report and accounts as a whole is fair, balanced and understandable; and
- I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

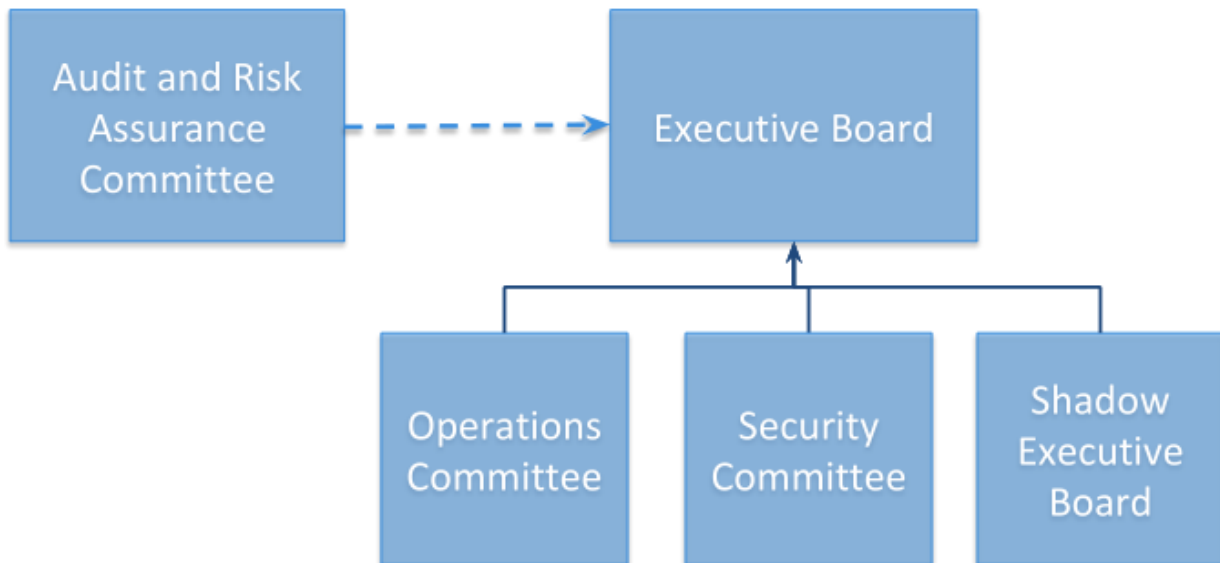
8.4 HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of DExEU. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the DExEU's assets, are set out in Managing Public Money published by the HM Treasury.

9 Governance Statement

9.1 This governance statement sets out how I have undertaken my Accounting Officer responsibilities to manage and control the resources of DExEU. It covers the period starting from 14 July 2016, when the Prime Minister established the Department, until 31 March 2017, as well as how I have gained assurances from my counterparts in the FCO and the Cabinet Office which enables me to fulfil my duties as Accounting Officer for the entirety of the reporting period.

Governance framework

9.2 The governance structure for DExEU is outlined in the diagram below.



9.3 The arrangements in place for corporate governance, risk management and accountability have evolved as DExEU has grown and matured. The Department remains simple in structure and, due to our priorities and delivery context, must maintain the ability to be agile and flexible.

9.4 I established early on an Executive Board with the senior leadership team (from director level upwards) which oversees the operational and strategic management of the Department. The Executive Board met in September, October, December, January and February during the 2016-17 financial year. It has continued to meet regularly during the 2017-18 financial year.

9.5 The Executive Board has provided the forum in which the critical issues involved with leading and running the Department have been addressed, including setting our policies on people and performance management, our commercial strategy, our approach to accommodation and stakeholder engagement, our values and objectives, our approach to diversity and inclusion, the regular reviews of resourcing, as well as departmental performance and risk management. The Executive Board has ensured that effective decisions have been made on these matters - including with the external and constructive challenge and advice provided by our Non-Executive Board Members from April 2017 - with progress on actions and decisions reported back to the Executive Board on a regular basis.

9.6 Effective information management protocols are a priority for the governance of the Department, as well as protective security measures expected of all Government departments, particularly those in Whitehall,

to safeguard staff. To mitigate the risks arising from the rapid expansion of the Department, two committees were established to handle that work and report to the Executive Board on security and operational matters.

9.7 The Security Committee, established in October, assures, examines and makes recommendations to the Executive Board on security issues within the Department. These include those relating to people, physical accommodation and information handling to ensure that the Department is operating with proportionate, but robust security arrangements. It is chaired by the Department's Senior Information Risk Owner (SIRO) and met four times during the reporting period (October, November, February, March).

9.8 The Operations Committee, established in January, develops, reviews and makes recommendations to the Executive Board on corporate activity and operational issues affecting the Department. It monitors corporate performance with management information on the Department reported to each monthly meeting. It is chaired by a Director General. It has met three times during the period (January, February, March).

9.9 I have augmented these arrangements with an innovative approach to staff engagement. A group of staff representatives, chaired by a deputy director, has been established to review the papers considered by the Executive Board and Operations Committee in 'shadow' form. The chair of the Shadow Executive Board is also a member of the Executive Board and Operations Committee. This has ensured an effective feedback loop for its advisory and consultative function within the Department's governance framework. This group was formed in October 2016.

9.10 The ARAC met for the first time in April 2017, having met in "shadow" form in November 2016. The role of this Committee is to support the Executive Board and the Accounting Officer on matters relating to governance, risk management, the control environment and the integrity of financial statements. The findings of the ARAC will be reported to me via my Executive Board.

9.11 The ARAC is chaired by Non-Executive Board Member, Margaret Stephens, and other members are Non-Executive Board Member Susan Hooper, and a third Independent Member. The Committee is attended by Sarah Healey (Director General), Richard Ney (Finance Director) and representatives from the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA). Other senior officials from across the Department attend as required.

9.12 To ensure the Department as a whole operates effectively, UKRep are represented at the Executive Board and Shadow Executive Board as well as the Operations and Security committees.

9.13 During the reporting period, the Executive Board and the Ministerial team came together on two occasions (in November and January) to discuss a range of strategy issues.

Board effectiveness

9.14 GIAA completed an initial advisory review of the establishment and administration of the Department's governance arrangements in March 2017. The review observed good governance practice. It particularly praised the quality of Board papers and minutes and the establishment of the Shadow Executive Board. Issues identified by the review were to further strengthen the specificity of actions agreed by the Executive Board, and to conclude the appointment process for our Non-Executive Board Member positions. In response, the secretariat has sought to make actions more specific and further developed its system for tracking actions. The appointments of Margaret Stephens and Susan Hooper as Non-Executive Board Members were made subsequent to the review, following a public recruitment campaign that began in autumn 2016.

Cross-Whitehall governance

9.15 Exiting the EU and establishing a new partnership between the UK and the EU is a whole of Government effort. The Department has established a series of cross-Government governance arrangements to support this. These arrangements have continued to develop since the Prime Minister triggered Article 50 on 29 March 2017.

9.16 We have been working closely with other Government departments to prepare for the negotiations, establish legislative requirements and prepare for implementation domestically. We have also taken steps to ensure the Department and Whitehall is adequately resourced with the skills and experience it needs to meet this challenge, and the Department, working closely with the Cabinet Office, keeps cross-Whitehall capacity, capabilities and governance arrangements under review.

Risk management

9.17 Effective risk management is an essential part of ensuring DExEU is able to deliver its objectives. Recognising this, the Department took a number of early steps after it was set up to ensure it had strong risk and programme management foundations in place - such as setting up departmental and directorate level risk registers, regular risk discussions by the Executive Board, and developing our in-house risk management capability.

9.18 All risks are classified into one of the following categories:

Risk Category	Description
Policy development & legislation	Risks that threaten to disrupt, delay or prevent DExEU from implementing and/or coordinating the necessary legislation and regulatory arrangements necessary for Exiting the European Union.
Business practice and processes	Risks that threaten DExEU's ability to either operate internally in an effective manner or undermine its ability to cooperate with relevant stakeholders.
Personnel	Risks relating to DExEU's ability to recruit, retain and support staff. This also includes risks that affect DExEU staff health and wellbeing.
Operational (Finance/IT/Legal)	Risks that affect DExEU core central functions, infrastructure, reporting and compliance.
Security	Risks that compromise DExEU assets, information, personnel and ability to operate.
Reputational	Risks that undermine the reputation and image of DExEU in the eyes of its stakeholders.
External	Risks to DExEU resulting from changes in the external environment, such as economic, political, legal or environmental factors.

Directorate risks

9.19 Directorate risks are managed by the risk owners in each Directorate. Each Directorate has its own risk register and internal governance arrangements. Directorate Senior Management Teams are required by the Strategic Management Office (SMO) to review their risks and issues regularly, as a minimum as part of the regular reporting process to the Executive Board.

Departmental risks

9.20 There is departmental guidance on the identification, assessment, mitigation and escalation of risk. DExEU maintains a departmental risk register that covers the strategic risks facing the Department. This is

Governance Statement

regularly reviewed and updated by senior officials, and the top risks are discussed by the Executive Board on a regular basis.

9.21 During the year, our risk approach has been reviewed by GIAA. The review found that DExEU has a sound risk management approach, and the level of risk maturity is reasonable for an organisation that was only established in July 2016. The results of this review have been considered by the Executive Board and ARAC, and actions have been agreed and work is underway to address the recommendations. This includes:

- Further developing our Risk Management framework and embedding it in the Department's decision making processes;
- Improving the Department's approach to the assessment of risks; and
- Ensuring our ARAC reviews our Risk Management Framework, and advises the Executive Board on any changes required.

9.22 The Department's external audit function is provided on behalf of Parliament by the Comptroller and Auditor General, supported by staff from the NAO. As part of the process, representatives from the NAO see all ARAC papers and attend their meetings.

Accounting Officer System Statement

9.23 In fulfilling my responsibilities as Accounting Officer for DExEU, I am required to report on the accountability systems and relations that exist within my Department and how I am able to gain assurance that the resources that have been allocated to DExEU have been utilised in accordance with the expected standards on regularity, propriety, value for money and feasibility. My statement on these systems will be published alongside this Annual Report and Accounts on DExEU's GOV.UK website.

Accountability

9.24 As Permanent Secretary, I am appointed by HM Treasury as the Department's Accounting Officer and may be called to account in Parliament for the stewardship of the resources within the Department's control.

9.25 Alongside the governance arrangements set out above, Ministers and the Permanent Secretary have clearly defined responsibilities that support good governance within the Department through Parliamentary accountability.

9.26 The Secretary of State is responsible and answerable to Parliament for the exercise of the powers on which the administration of the Department depends. He has a duty to Parliament to account, and to be held to account, for the policies, decisions and actions of the Department. Ministers are also subject to the Ministerial Code which provides assurance as to their propriety of their conduct. Upon appointment, Ministers' attention is drawn to the requirements of the Ministerial Code. As Permanent Secretary, I am responsible for advising Ministers on compliance with the Code.

9.27 During 2016-17, no Ministerial directions were made.

Corporate Governance Code

9.28 The Corporate Governance Code requires departments to put in place arrangements to handle conflicts of interest of Board Members, and to use the Governance Statement to explain how conflicts (and potential conflicts) of interest are resolved. As set out in their contracts, each Non-Executive Board Member is required to declare to the Secretary of State any personal or business interest which may (or may be

perceived) to influence their judgement in performing their functions and obligations. They are also responsible for withdrawing from any discussions where any conflict of interest could influence their judgement. A register of interests is maintained by the Board secretariat, which reports into the Director of Finance and Operations.

9.29 Departments are expected to apply the principles of the Corporate Governance Code unless good governance can be achieved by other means. Departments are also required to identify and explain any areas where they have departed from the Code.

9.30 Due to the Department's Non-Executive Board Members not being formally appointed until April, neither a Departmental Board nor a Nominations and Governance Committee had been established. In addition to this, the first quorate ARAC took place in June, however, two previous meetings of the ARAC took place in November (chaired by the Independent Member of the Committee) and April (chaired by Margaret Stephens). I have ensured that the functions typically carried out by these Boards were met in other ways.

9.31 The role of a Departmental Board is to provide leadership for the Department's business and to advise on five key areas: strategic clarity; commercial sense; talented people; results focus; and management information. I have ensured that the functions of a Departmental Board are covered by the Executive Board, which, from April, has been attended by the Non-Executive Board Members, and frequent strategic management meetings between Ministers and the Senior Leadership team.

9.32 The role of a Nominations and Governance Committee is to ensure there are satisfactory systems for identifying and developing leadership and high potential; to scrutinise the incentive structure and succession planning for the Board and senior leadership of the Department; and to scrutinise the governance arrangements of the Department. The functions of this Committee are covered via the Executive Board in respect of developing leadership and potential and scrutinising the incentive structure, and via the ARAC in respect of the scrutiny of the governance arrangements that are in place within the Department.

Security

9.33 The Security Committee considers the Security Risk Register, a subset of risks on the overall departmental Risk Register and regularly deep dives into particular areas. For example, the Committee has sought to mitigate the risk of individuals exploiting their legitimate access to our assets for unauthorised purposes by carrying out a comprehensive personnel security risk assessment in partnership with the Centre for Protection of National Infrastructure and uplifting national security vetting requirements where appropriate. Education and awareness is crucial to risk mitigation and DExEU's Senior Management and Security teams have issued security guidance and training to all staff. The overall responsibility for the Department sits with the SIRO, who chairs the Security Committee.

Departmental set-up

9.34 Ensuring the Department was set up effectively was an immediate priority. Delivery of the Department's objectives has depended on it being organised in a manner that complements the need for flexibility, efficiency and resilience as we enter negotiations with the EU, whilst also ensuring that I am able to effectively discharge my responsibilities as Accounting Officer for DExEU.

9.35 When the Department was established in July 2016 I was appointed by HM Treasury as the Interim Accounting Officer until such a time that DExEU was voted an Estimate by Parliament. On 17 March 2017, Royal Assent was granted on DExEU's voted budget, and I was appointed as full Accounting Officer for DExEU. During this transitional period, I exchanged letters with the Permanent Secretaries of the Cabinet Office and

the FCO in order to gain appropriate assurances over the regularity, propriety and value for money of the resources used by the functions that transferred out of the Cabinet Office and FCO to form DExEU.

9.36 In setting up the Department, it has been necessary for us to rely on the HR, payroll and finance systems in place at the Cabinet Office. Though work is ongoing to establish the most suitable solution for DExEU, we will continue to use the existing arrangement to ensure our financial records are maintained and our staff are remunerated. My staff and I will continue to work with our counterparts in the Cabinet Office to facilitate the ongoing effective operation of this arrangement.

9.37 To ensure the Department's ability to effectively manage its objectives, my leadership team adopted a flexible approach to our operational arrangements. Regular reviews of the Departmental structure and resource requirements take place so that the Department is in a position to deliver its objectives in the most appropriate way, and regular recruitment campaigns are undertaken to ensure our skill requirements are continuously met.

Parliamentary engagement

9.38 We have continued to ensure that Parliament has been fully engaged on our progress to date. As at the end of March 2017, DExEU Ministers had given seven oral statements, and there had been four debates in Government time on issues ranging from workers' rights to security cooperation. In addition to this, Ministers from DExEU and from across Government are engaging with Select Committees on matters relating to the UK's exit from the EU. The Secretary of State for Exiting the EU has also provided evidence to the Select Committee on Exiting the EU twice, and there have been a further 13 occasions where DExEU Ministers and officials have given evidence to a wide range of committees from Environmental Audit to Science and Technology.

9.39 The European Union (Notification of Withdrawal) Act received Royal Assent in March 2017, enabling the Prime Minister to trigger Article 50 on 29 March. The Government published the White Paper on Legislating for the UK's Exit from the EU on 30 March; when enacted, the Repeal Bill will repeal the European Communities Act 1972 and ensure a functioning statute book on the day we leave the EU.

Independent scrutiny

9.40 During 2016-17, the Department's internal audit function was provided by GIAA. The programme of work conducted by GIAA covered DExEU's financial control and corporate governance environments, correspondence management and business continuity. The internal audit opinion for the 2016-17 financial year was of "limited assurance", however, the conclusions drawn from GIAA's work highlight that DExEU has made significant progress during the year in establishing a range of controls and process which has enabled the Department to operate at pace at the same time as embedding these systems, and though there remain a number of areas in which processes need to mature, DExEU is on a strong upward trajectory.

9.41 No reports were published by the NAO or the Public Accounts Committee (PAC) which focussed solely on DExEU, however, the NAO did publish a cross-cutting report focussed on capability in the Civil Service which highlighted the capability challenges that will arise as a result of the UK's exit from the EU.

9.42 The second annual report from the Chair of the PAC¹² also highlighted the challenges that will be faced by Government as a result of the UK's exit from the EU. We will continue to work closely with the NAO in

¹² <http://www.meghillier.com/news/protecting-the-public-s-money-2016-17>

respect of matters relating to EU exit.

Conclusions

9.43 I have reviewed all information that has been presented to me over the course of the year and I am confident that DExEU has established and maintained a strong system of internal control that meets the unique requirements of the Department. I note the opinion that has been provided by GIAA based on the work that has been conducted and agree that DExEU is on an upward trajectory, and I will work to ensure that the system of internal control continues to improve and evolve with the Department.

Remuneration and Staff Report

10 Remuneration Report

Remuneration policy

10.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

10.2 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations¹³.

Service contracts

10.3 The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

10.4 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

10.5 Further information about the work of the Civil Service Commissioner can be found at: www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements (subject to audit)

10.6 The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the Department and are subject to audit. Note that 2015-16 figures are not available since the Department did not exist prior to 14 July 2016, therefore no Executive and Non-Executive Board existed.

¹³ Further information about the work of the Review Body can be found at: www.ome.uk.com

Single total figure of remuneration (subject to audit)

2016-17					
Ministers	Salary (£)	Full-year equivalent (£)	Benefits in kind (to the nearest £100)	Pension benefits (to the nearest £1,000)	Total (to the nearest £1,000)
Rt Hon David Davis MP From 13 July 2016*	48,270	67,505	0	13,000	61,000
Rt Hon David Jones MP From 17 July 2016	22,568	31,680	0	6,000	29,000
Lord Bridges of Headley MBE From 17 July 2016	48,762	68,710	0	11,000	60,000
Robin Walker MP From 17 July 2016	15,879	22,375	0	4,000	20,000

* Note that the appointment of the Rt Hon David Davis MP as Secretary of State for Exiting the European Union was announced by the Prime Minister on 13 July 2016. The first day of operation for the Department, and hence the day from which DExEU is deemed to have existed, was 14 July 2016.

2016-17					
Officials	Salary (£'000)	Full-year equivalent (£'000)	Benefits in kind (to the nearest £100)	Pension benefits (to the nearest £1,000)	Total (£'000)
Oliver Robbins CB Permanent Secretary From 14 July 2016	105 - 110	160 - 165	0	93,000	200 - 205
Philip Rycroft¹⁴ Second Permanent Secretary From 20 March 2017	0 - 5	125 - 130	0	1,000	0 - 5
Alex Ellis Director General From 16 January 2017	20 - 25	105 - 110	0	10,000	30 - 35
Sarah Healey Director General From 14 July 2016	75 - 80	110 - 115	0	32,000	105 - 110

¹⁴ Philip Rycroft's time is split between Cabinet Office (20%) and DExEU (80%)

Remuneration Report

2016-17					
Officials	Salary (£'000)	Full-year equivalent (£'000)	Benefits in kind (to the nearest £100)	Pension benefits (to the nearest £1,000)	Total (£'000)
Matthew Baugh Director, Negotiations Coordination Unit From 1 February 2017	10 - 15	70 - 75	0	5,000	15 - 20
Chris Jones Director, Justice, Security and Migration From 31 August 2016	60 - 65	85 - 90	0	90,000	150 - 155
Joanna Key Director, Engagement and Corporate Strategy From 14 July 2016	45 - 50	75 - 80	0	60,000	105 - 110
Helen Mills Director, HR From 14 July 2016	50 - 55	70 - 75	0-5	22,000	70 - 75
Richard Ney Director, Finance and Operations From 14 July 2016	45 - 50	65 - 70	0-5	24,000	70 - 75
Antony Phillipson Director, Trade and Partnerships From 14 July 2016	65 - 70	90 - 95	0	30,000	95 - 100
Tom Shinner Director, Cross-Government Policy Co-ordination From 14 July 2016	90 - 95	125 - 130	0	25,000	115 - 120
Jo Shanmugalingam Joint Director, Planning and Analysis From 14 November 2016	20 - 25	55 - 60	0	9,000	30 - 35
Susannah Storey¹⁵ Joint Director, Planning and Analysis From 14 November 2016	30 - 35	75 - 80	0	13,000	45 - 50

¹⁵ Susannah Storey was paid as 0.6 FTE from 14 November 2016 until 31 December 2016, and 0.8 FTE from 1 January 2017

2016-17					
Officials	Salary (£'000)	Full-year equivalent (£'000)	Benefits in kind (to the nearest £100)	Pension benefits (to the nearest £1,000)	Total (£'000)
Catherine Webb Director, Market Access and Budget From 14 July 2016	60 - 65	85 - 90	0	55,000	115 - 120

Salary

10.7 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation.

10.8 This report is based on accrued payments made by the Department, and thus recorded in these accounts.

10.9 In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration. Their salaries for services as Members of Parliament (£74,962 from 1 April 2016, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally.

10.10 The arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration for Lord Bridges as well as any allowances to which they were entitled, is paid by the Department and is, therefore, shown in full, in the figures within the Ministers' remuneration table above.

10.11 The Non-Executive Board Members of DExEU were not in post as at 31 March 2017. As such, no fees or remuneration was paid to them during the year (subject to audit).

Benefits in kind

10.12 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

10.13 Bonuses for the 2016-17 performance year have been included in the Department's spend for 2016-17 and will be paid in early 2017-18.

Fair pay disclosure (subject to audit)

10.14 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

Remuneration Report

10.15 The full-year banded remuneration of the highest paid director in the Department, in the financial year 2016-17 was £160,000 - £165,000. This was 3.4 times the median remuneration of the workforce, which was £48,000.

10.16 Remuneration ranged from £10,000 - £15,000 to £105,000 - £110,000 for the period 14 July 2016 to and 31 March 2017 (full year equivalent: £20,000 - £25,000 to £160,000 - £165,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Ministerial pension benefits (subject to audit)

2016-17					
£'000					
Ministers	Accrued pension at age 65 as at 31 March 2017	Real increase in pension at age 65	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV
Rt Hon David Davis MP From 13 July 2016*	5-10	0-5	106	91	11
Rt Hon David Jones MP From 17 July 2016	5-10	0-5	115	106	6
Lord Bridges of Headley MBE From 17 July 2016	0-5	0-5	25	16	4
Robin Walker MP From 17 July 2016	0-5	0-5	3	0	1

10.17 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at <https://www.mypcpfpension.co.uk/docs/librariesprovider4/care-docs/Ministers/pcpf-Ministerial-scheme-final-rules-2014-12-17.pdf?sfvrsn=6>.

10.18 Those Ministers who are MPs may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1st April 2013 have transitional protection to remain in the previous final salary pension scheme.

10.19 Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

10.20 The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV) for Ministers

10.21 This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

10.22 This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Civil Service pensions

10.23 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced - the Civil Service and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

10.24 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

10.25 Employee contributions are salary-related and range between 3.80% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.60% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' annual pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in

premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. There is no automatic lump sum. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%, and there is no automatic lump sum. In all cases members may opt to give up (commute) pension for a lump sum subject to limits set by HM Revenue & Customs.

10.26 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

10.27 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCS or alpha – as appropriate. Where the official has benefits in both the PCS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

10.28 Further details about the Civil Service pension arrangements can be found on the Civil Service Pensions website¹⁶.

¹⁶ www.civilservicepensionscheme.org.uk

Officials' pension benefits (subject to audit)

2016-17					
£'000					
Officials	Accrued pension at age 65 as at 31 March 2017	Real increase in pension at age 65	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV
Oliver Robbins CB Permanent Secretary From 14 July 2016	40 - 45 plus a lump sum of 105 - 110	2.5 - 5 plus a lump sum of 5 - 7.5	564	506	45
Philip Rycroft¹⁷ Second Permanent Secretary From 20 March 2017	10 - 15	0 - 2.5	217	215	1
Alex Ellis Director General From 16 January 2017	45 - 50	0 - 2.5	735	727	5
Sarah Healey Director General From 14 July 2016	20 - 25	0 - 2.5	279	260	11
Matthew Baugh Director, Negotiations Coordination Unit From 1 February 2017	15 - 20 plus a lump sum of 45 - 50	0 - 2.5 plus a lump sum of 0 - 2.5	273	270	2
Chris Jones Director, Justice, Security and Migration From 31 August 2016	20 - 25 plus a lump sum of 60 - 65	2.5 - 5 plus a lump sum of 7.5 - 10	370	299	58
Joanna Key Director, Engagement and Corporate Strategy From 14 July 2016	15 - 20 plus a lump sum of 50 - 55	2.5 - 5 plus a lump sum of 5 - 7.5	293	245	37
Helen Mills Director, HR From 14 July 2016	10 - 15	0 - 2.5	130	117	5

¹⁷ Philip Rycroft's time is split between Cabinet Office (20%) and DExEU (80%)

2016-17					
£'000					
Officials	Accrued pension at age 65 as at 31 March 2017	Real increase in pension at age 65	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV
Richard Ney Director, Finance and Operations From 14 July 2016	10 - 15	0 - 2.5	143	127	8
Antony Phillipson Director, Trade and Partnerships From 14 July 2016	30 - 35 plus a lump sum of 30 - 35	0 - 2.5 plus a lump sum of 0 - 2.5	493	459	14
Jo Shanmugalingam Joint Director, Planning and Analysis From 14 November 2016	15 - 20 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0 - 2.5	204	199	3
Tom Shinner Director, Cross-Government Policy Co-ordination From 14 July 2016	10 - 15	0 - 2.5	81	68	5
Susannah Storey Joint Director, Planning and Analysis From 14 November 2016	15 - 20	0 - 2.5	196	183	5
Catherine Webb Director, Market Access and Budget From 14 July 2016	15 - 20 plus a lump sum of 45 - 50	2.5 - 5 plus a lump sum of 2.5 - 5	235	205	23

The Cash Equivalent Transfer Value (CETV) for Officials

10.29 A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

10.30 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs

are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in the value of the CETV

10.31 This reflects the increase in the CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

11 Staff Report

Staff numbers and related costs (subject to audit)

Staff costs

						£'000	
						2016-17	2015-16
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total	
Wages and salaries	10,386	-	135	108	10,629	3,068	
Social security costs	1,063	-	15	14	1,092	298	
Pension costs	1,892	-	-	26	1,918	638	
Agency/temporary	-	89	-	-	89	4	
Sub total	13,341	89	150	148	13,728	4,008	
Inward secondments	235	-	-	-	235	-	
Total costs	13,576	89	150	148	13,963	4,008	

Note that there are no outward secondees.

Average number of whole-time equivalent (WTE) persons employed

						2016-17	2015-16
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total	
Total WTE employed ¹⁸	198	5	4	2	209	71	

¹⁸ The WTE is calculated based on the average headcount in each month from April 2016 to March 2017, and apportioned for staff who work part-time. The headcount of 384 as at 31 March reflects the total number of staff in post at that date.

Employer Contributions

11.1 PCSPS and CSOPS – also known as "alpha" - are unfunded multi-employer defined benefit schemes, however, the Department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation¹⁹.

11.2 For 2016-17, employers' contributions of £1,910,402.55 were payable to PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

11.3 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2016-17, employers' contributions of £7,146.79 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, for 2016-17, employer contributions of £375.45, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

11.4 Contributions due to the partnership pension providers at the accounting date were £1,291. Contributions prepaid at that date were £0.

11.5 No members of staff retired early on ill-health grounds.

Reporting of Civil Service and other compensation schemes – exit packages (subject to audit)

11.6 The Department did not incur any early departure costs in 2016-17.

Senior Civil Servants

11.7 The table below shows the number of senior civil servants employed by DExEU as at 31 March 2017.

Grade	2016-17
SCS Pay Band 4	2
SCS Pay Band 3	2
SCS Pay Band 2	8
SCS Pay Band 1	32
Total	44

Analysis of staff by gender and sickness absence

¹⁹ <https://www.gov.uk/Government/publications/cabinet-office-civil-superannuation-accounts-2015-to-2016>

11.8 During 2016-17, DExEU's headcount grew from 56 as at 14 July 2016 to 384 as at 31 March 2017. Of this number, 276 staff were recorded on the Department's HR and payroll systems. The remaining staff within the headcount comprise of secondees, who are paid by their main employer and for whom DExEU will reimburse the associated costs; contractors, who are remunerated via the agencies with whom DExEU engages; fast-streamers, who are paid centrally by HMRC; and staff who are on loan from other Government departments and will continue to be paid by their home department until brought onto DExEU's payroll.

11.9 The FReM requires specific disclosure in the Remuneration and Staff Report on sickness absence data and gender breakdown. Out of the 276 staff who are recorded on the Department's HR and payroll systems, 144 (51%) are female and 132 (47%) are male. Since not all of the Department's staff are included in the HR and payroll systems, it is not possible to provide an accurate breakdown of the sickness absence for all staff in the Department for 2016-17.

Employment, training and advancement of disabled persons

11.10 Upon creation, the Department adopted the policies of the Cabinet Office as an interim measure. Since then, DExEU has derived its policies from the Civil Service Employee Policy core suite of policies, which have been equality impact assessed. All policies that have been implemented by the Department have undergone consultation with the trade unions.

11.11 DExEU applies the Recruitment Principles of the Civil Service Commission, appointing candidates based on merit through fair and open competition. DExEU has mandated the unconscious bias training for all staff, which recruiting managers are reminded of. The Department takes part in the guaranteed interview scheme, which encourages candidates with a disability to apply for the jobs it advertises. If a candidate declares a disability and meets the minimum standards required for a job, he or she is offered an interview.

11.12 DExEU has an active equality network championed by a Director and a specific Disability strand with the aims of:

- adopting a welcoming and supportive environment for all those staff and visitors with disabilities, and actively encourage the recruitment of staff with disabilities, as a Disability Confident employer;
- working with management, unions and staff to implement the best ideas from around (and outside) Government, learning from what's worked well and what's not worked so well, and getting insight from the many organisations (such as the Business Disability Forum) that are available to help organisations; and
- arranging sessions (such as guest speakers) to help raise understanding and awareness in an engaging format, help set up group events on request, and continue to engage staff to make sure the Network is working for them.

11.13 DExEU's Equality Network and HR teams have also been proactive in raising awareness of mental disability, as well as physical. DExEU has 16 trained Mental Health First Aiders and has run a number of sessions such as bringing in a mental health nurse for drop-in discussions for anyone who would like one.

11.14 DExEU promotes a number of cross-Government talent schemes to disabled staff. This includes Civil Service-wide talent schemes such as the Future Leaders Scheme (aimed at staff in grades 6 and 7) and the Senior Leaders Scheme (aimed at staff in senior Civil Service pay band 1). It also promotes development schemes aimed specifically at disabled staff, including the Accelerate talent programme (for senior civil servants) and the Positive Action Pathway (for staff below the senior Civil Service).

Expenditure on consultancy and temporary Staff

11.15 The table below sets out the Department’s spend on temporary staff. During the year the Department has received consultancy services from a number of firms. These were provided on pro-bono basis, hence no costs were incurred in respect of these arrangements. The 2015-16 costs were incurred by the Europe Unit of the Cabinet Office.

	£'000	
	2016-17	2015-16
Cost of consultancy	-	-
Cost of contingent labour	89	4

Reporting of off-payroll appointments

11.16 As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments must publish information on their highly paid and/or senior off-payroll engagements.

11.17 DExEU uses off-payroll arrangements for specialist or technical contractors and consultants to address urgent scarce skills gaps. Contractual controls, including the right to request assurance on tax obligations, means there is no opportunity of any tax avoidance arrangements. During 2016-17, there were no off-payroll appointments that exceeded six months in duration, and there were no off-payroll engagements of Board members and/or senior officials with significant financial responsibility.

Parliamentary Accountability and Audit Report

12 Statement of Parliamentary Supply (subject to audit)

For the year ended 31 March 2017

Summary of Resource and Capital Outturn 2016-17

£'000									
								2016-17	2015-16
		Estimate			Outturn			Outturn compared with Estimate: saving/ (excess)	Outturn
Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Net Total		
Spending in Departmental Expenditure Limit (DEL)									
Resource	SoPS 1.1	48,942	-	48,942	24,246	-	24,246	24,696	7,004
Capital	SoPS 1.2	1,500	-	1,500	502	-	502	998	-
Spending in Annually Managed Expenditure (AME)									
Resource	SoPS 1.1	500	-	500	-	-	-	500	-
Total		50,942	-	50,942	24,748	-	24,748	26,194	7,004
Total resource	SoPS 1.1	49,442	-	49,442	24,246	-	24,246	25,196	7,004
Total capital	SoPS 1.2	1,500	-	1,500	502	-	502	998	-
Total		50,942	-	50,942	24,748	-	24,748	26,194	7,004

Net Cash Requirement 2016-17

£'000						
					2016-17	2015-16
Note	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn		
Net cash requirement	SoPS 3	50,242	10,987	39,255	6,631	

Administration Costs 2016-17

£'000				
	2016-17			2015-16
	Estimate	Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Administration costs	48,942	24,246	24,696	7,004

Notes to the Statement of Parliamentary Supply

SoPS 1.1. Analysis of net resource outturn by section

Note that all Resource DEL Expenditure is defined as Administration Expenditure.

							£'000
					2016-17	2015-16	
			Outturn	Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn	
	Gross	Income	Net Total	Net Total		Net Total	
Spending in Departmental Expenditure Limit (DEL)							
Voted expenditure							
A - Exiting the European Union	25,255	(1,009)	24,246	48,942	24,696	7,004	
Total voted expenditure in DEL	25,255	(1,009)	24,246	48,942	24,696	7,004	
Spending in Annually Managed Expenditure (AME)							
A - Exiting the European Union	-	-	-	500	500	-	
Total voted expenditure in AME	-	-	-	500	500	-	
Total resource	25,255	(1,009)	24,246	49,442	25,196	7,004	

SoPS 1.2. Analysis of net capital outturn by section

£'000							
						2016-17	2015-16
	Outturn			Estimate		Outturn	
	Gross	Income	Net Total	Net Total	Outturn compared with Estimate: saving/ (excess)	Net Total	
Spending in Departmental Expenditure Limit (DEL)							
Voted Expenditure							
A - Exiting the European Union	502	-	502	1,500	998	-	
Total capital	502	-	502	1,500	998	-	

SoPS 2. Reconciliation of net resource outturn to net operating expenditure

The Department's net resource outturn matches net operating expenditure.

SoPS 3. Reconciliation of Net Resource and Capital Outturn to Net Cash Requirement

£'000			
2016-17			
	Estimate	Outturn	Net Total compared to Outturn: saving/ (excess)
Resource outturn	49,442	24,246	25,196
Capital outturn	1,500	502	998
Accruals to cash adjustments			
<i>Adjustments to remove non-cash items:</i>			
Notional auditors' fee	-	(80)	80
Provision	(500)	-	(500)
General Fund - Machinery of Government changes	-	339	(339)
Other non-cash adjustments	(200)	(167)	(33)
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(Decrease) in receivables	-	(471)	471
(Increase)/Decrease in payables	-	(26,895)	26,895
Amounts drawn down but not used from Consolidated Fund	-	13,513	(13,513)
Net cash requirement	50,242	10,987	39,255

SoPS 4. Income payable to the Consolidated Fund

The Department has no income that is payable to the Consolidated Fund, nor does the Department collect any amounts as an agent of the Consolidated Fund.

13 Other Notes on Parliamentary Accountability

Regularity of Expenditure (subject to audit)

Losses and special payments

When the cumulative value exceeds £300,000, HM Treasury's Managing Public Money and the FREM require (both available on www.gov.uk) a statement showing losses and special payments by value and by type. Where cases individually exceed £300,000, details of those cases must be disclosed. DExEU did not incur any losses or special payments during the period.

Gifts

Gifts, as defined by Managing Public Money, must also be disclosed and detailed where the value is greater than £300,000. During 2016-17 the Department did not give, nor did it receive, any reportable gifts.

Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes (subject to audit)

On 29 March 2017, the UK Government submitted notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. DExEU is responsible for coordinating the process of exiting the EU. As such, any financial and policy consequences arising as a result of the UK's exit from the EU will continue to be the responsibility of the individual lead departments, and not DExEU. As such, DExEU does not hold any such contingent liabilities.

During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

Financial Overview

Significant variances against Estimate

The Department is reporting an underspend against its £48.9m Resource DEL budget. The underspend was driven by the budget being set at a level that provided flexibility to deal with a range of different planning scenarios, and by back-office arrangements and set-up activities costing less than originally anticipated. The most significant budget variances were as follows:

- *Staffing & associated costs* - in planning the budget for 2016-17 a series of assumptions were made on both the profile and total number of staff that may be required to deliver our objectives. Ultimately, the Department's total headcount expenditure during the financial year was lower than the respective budget provision. This resulted in reduced expenditure on both pay but also other goods and services that are linked to headcount.
- *Professional services* - during its set-up phase, the Department made budget provision to utilise paid-for professional services. The department underspent against this budget through sourcing expertise through recruitment and secondments.
- *Accommodation* - accommodation costs were lower than anticipated due to a combination of the staffing profile and lower than budgeted refurbishment and rental costs.

In addition to the underspend on the Department’s Resource DEL budget, DExEU incurred an underspend of £1m (67%) on the Department’s Capital DEL budget. This was driven by the non-IT property, plant and equipment acquired by DExEU during the year falling below the capitalisation threshold set out in the Statement of Accounting Policies on page 54.

Common Core Tables – Departmental Expenditure Outturn and Plans

The tables below show the Department’s outturn for 2016-17, along with the planned expenditure for the next three years. The outturn and plans expenditure data is recorded in accordance with HM Treasury’s budgeting system as set out each year in HM Treasury’s Consolidated Budgeting Guidance. Departments have separate budgets for:

- Resource – current expenditure such as pay, procurement and current grants
- Capital – expenditure on assets, investment and capital grants

Additional information on the Department’s Estimates is available on the GOV.UK website²⁰.

Current and future departmental spending

	2016-17	2017-18	2018-19	2019-20
	Outturn	Plans	Plans	Plans
A - Exiting the European Union	24,246	101,040	100,034	95,152
Total spending in resource DEL	24,246	101,040	100,034	95,152
A - Exiting the European Union	-	500	500	500
Total spending in AME	-	500	500	500
Total resource spend	24,246	101,540	100,534	95,652
A - Exiting the European Union	502	100	100	100
Total capital spend	502	100	100	100
Total spend	24,748	101,640	100,634	95,752

Note that all Resource Expenditure is defined as Administration Expenditure.

Oliver Robbins CB
 Permanent Secretary and Accounting Officer
 Department for Exiting the European Union

14 July 2017

²⁰https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/591926/PU2028_Supplementary_Estimates_2016-17_correction_slip_web.pdf

14 The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of DExEU for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial

statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2017 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

July 2017

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

All activities are continuing

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

			£'000
	Note	2016-17	(Restated) 2015-16
Staff costs	3	13,963	4,008
Other operating costs	3	11,292	6,563
Total expenditure for the year ended 31 March		25,255	10,571
Income	4	(1,009)	(3,567)
Net expenditure for the year ended 31 March		24,246	7,004
Other comprehensive net expenditure		-	-
Total comprehensive expenditure for the year ended 31 March		24,246	7,004

The Notes on pages 54 to 64 form part of these accounts.

Statement of Financial Position

as at 31 March 2017

This statement presents the financial position of the departmental Group. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

				£'000	
	Note	31 March 2017	(Restated) 31 March 2016	(Restated) 1 April 2015	
Non-current assets					
Property, plant and equipment	5	335	-	-	
Total non-current assets		335	-	-	
Current assets					
Trade and other receivables	6	433	904	1,107	
Cash and cash equivalents	7	13,513	-	-	
Total current assets		13,946	904	1,107	
Total assets		14,281	904	1,107	
Current liabilities					
Trade and other payables	8	(27,226)	(331)	(161)	
Total current liabilities		(27,226)	(331)	(161)	
Assets less liabilities		(12,945)	573	946	
Taxpayers' equity					
General fund		(12,945)	573	946	
Total taxpayers' equity		(12,945)	573	946	

Oliver Robbins CB
 Permanent Secretary and Accounting Officer
 Department for Exiting the European Union

14 July 2017

The Notes on pages 54 to 64 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2017

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

			£'000
	Note	2016-17	(Restated) 2015-16
Cash flows from operating activities			
Net operating cost	SoCNE	(24,246)	(7,004)
Adjustment for non-cash transactions	3	247	-
(Increase)/decrease in trade and other receivables	6	471	203
Increase/(decrease) in trade payables	8	26,895	170
<i>Less movements in trade & other payables relating to items not passing through the SOCNE:</i>			
Movements in capital accruals	8	(502)	-
Amounts drawn down but not used from Consolidated Fund	8	(13,513)	-
Machinery of Government adjustments ²¹		(339)	-
Net cash outflow from operating activities		(10,987)	(6,631)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(502)	-
Movements in capital accruals	8	502	-
Net cash outflow from investing activities		-	-

²¹ The 2016-17 Machinery of Government adjustment reflects the arrangement in place with FCO whereby historic payables and receivables in relation to Interpreters' Fees and EU Secondments were not transferred to DExEU and instead settled by FCO

Statement of Cash Flows (continued)

			£'000
	Note	2016-17	(Restated) 2015-16
Cash flows from financing activities			
Machinery of Government adjustments		-	6,631
Funding received from the Consolidated Fund		24,500	-
Deemed Supply		-	-
Net cash inflow from financing activities		24,500	6,631
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		13,513	-
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		13,513	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		13,513	-

The Notes on pages 54 to 64 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

This statement shows the movement in the year on the reserves held by the Department. All reserves held by DExEU are 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The General Fund represents the total assets less liabilities of a department.

	Note	£'000
Balance at 31 March 2015		946
Machinery of Government - transfer of function in		6,631
Restated balance at 1 April 2015		7,577
Comprehensive net expenditure for the year	SoCNE	(7,004)
Balance at 31 March 2016		573
Machinery of Government - transfer of function in ²²		(339)
Net Parliamentary funding - drawn down		24,500
Supply payable adjustment		(13,513)
Comprehensive expenditure of the year		(24,246)
Non-cash adjustments: auditors' remuneration	3	80
Balance at 31 March 2017		(12,945)

The Notes on pages 54 to 64 form part of these accounts.

²² The 2016-17 Machinery of Government adjustment reflects the arrangement in place with FCO whereby historic payables and receivables in relation to Interpreters' Fees and EU Secondments were not transferred to DExEU and instead settled by FCO.

Notes to the Departmental Accounts

Note 1. Statement of Accounting Policies

1.1 *Statement of Compliance*

The financial statements for DExEU are prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the 2016-17 FReM issued by HM Treasury.

Where the FReM permits a choice of accounting policy, those that are judged to be most appropriate to the particular circumstances of DExEU for the purpose of giving a true and fair view have been selected. These are applied consistently in dealing with items that are considered material to the financial statements.

1.2 *Basis of Preparation*

The accounts are prepared on an accruals basis under the historical cost convention, modified to account for certain financial instruments to fair value, as determined by the relevant accounting standards. Figures are presented in pounds sterling, which is the functional currency of DExEU, and are rounded to the nearest £1,000. Transactions in foreign currencies are translated into sterling at the exchange rate at the date of the transaction, or at the reporting date if they remain outstanding.

1.3 *Going Concern*

The financing of DExEU's future liabilities and expenditure is to be met by future grants of Supply approved annually by Parliament. Royal Assent for amounts required for 2017-18 is due to be received during the 2017-18 financial year. HM Treasury has also published the 2017-18 Vote on Account, which provides authority for spending on continuing services by DExEU until Royal Assent is received for the Main Estimates. Therefore, there is no reason to believe that future approvals will not be made and it has been considered appropriate to prepare these financial statements on a going concern basis for at least the next year.

1.4 *Machinery of Government*

Following the outcome of the EU Referendum, DExEU was created on 14 July 2016 with the merger of the Cabinet Office's European Unit and the FCO's Europe Directorate. As a result of this Machinery of Government announcement, and in accordance with the Financial Reporting Manual, comparative figures for 2015-16 and the period from 1 April to 13 July 2016 comprise solely of the income, expenditure, assets and liabilities of the functions that have transferred from the Cabinet Office and the FCO. Post 14 July 2016 figures within the 2016-17 accounts relate to DExEU as a whole, including the functions that transferred.

1.5 *Impending application of newly issued accounting standards not yet effective*

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions that are expected to be relevant in subsequent reporting periods are:

- IFRS 9 Financial Instruments (effective 2018-19). The classification of financial assets and liabilities will change. These changes are not expected to have a significant impact upon DExEU's financial assets and liabilities.
- IFRS 16 Leases (effective 2019-20). Significant leases will be recognised as a financing lease and therefore eliminate "off-balance sheet" leasing arrangements, and require recognition of a single right-of use asset, measured at the present value of lease payments. As DExEU currently occupies properties from other Government departments, this is likely to have an effect on the Statement

of Financial Position.

The full impact of the revisions will not be known until HM Treasury decides how to interpret/adapt this standard for FReM bodies.

1.6 Income

Due to the transfer of the Europe Directorate from FCO, DExEU has inherited the responsibility for receiving income from other Government departments in respect of EU Secondees and Interpreters' fees. Any income recognised in respect of these is measured at the fair value of the consideration received or receivable. Income is recognised on a straight-line basis over the course of the year and is stated net of VAT.

1.7 Employee benefits

Employee leave accrual

The net amount of annual leave owing to, or owed by, employees has been recognised in the Statement of Financial Position.

Performance bonuses

Performance bonuses are recognised in the year to which the payment relates. The performance year for staff is aligned to the financial year, therefore the performance bonuses in respect of 2016-17 are recognised in these financial statements.

Pensions

The majority of employees within DExEU are covered by the provisions of the Civil Service pension arrangements. The defined benefit schemes are unfunded.

The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Civil Service pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Civil Service pension arrangements. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.8 Value Added Tax on Purchases

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where input tax is recoverable, the amounts are stated net of VAT.

1.9 Property, Plant and Equipment and Intangible Non-Current Assets

Property, plant, equipment and purchased software licences are capitalised if they are intended for use on a continuous basis for more than one year. The threshold for capitalising non-current assets is £5,000 on an individual basis. Individual items are not grouped, with the exception of IT.

IT

DExEU's IT equipment is provided by the Cabinet Office. The capital value of these assets is determined by the Department's headcount at year end, adjusted for additional laptops that have been provided to staff who are not included in DExEU's headcount.

Financial Statements

The only non-current assets as at 31 March 2017 were IT assets. The existence of non-current assets will be assessed on an annual basis.

1.10 Depreciation

A full year of depreciation is recognised in the year of acquisition and no depreciation is recognised in the year of disposal. IT is depreciated on a straight-line basis over its useful life of 3 years.

1.11 Financial Instruments

Financial Assets

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Department will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial liabilities

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

1.12 Cash and Cash Equivalents

Cash and cash equivalents comprise only of current balances held in Government Banking Service accounts.

1.13 Estimation Techniques

The preparation of financial statements requires management to make appropriate judgements and assumptions that affect the amounts reported for assets and liabilities for the year ending 31 March 2017, and for amounts reported for income and expenses during the relevant period.

Provisions

DExEU makes provisions for liabilities and charges where, at the reporting date, a legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. DExEU holds no provisions at 31 March 2017.

Staff Costs

At the reporting date a number of DExEU's employees had not been brought onto the payroll system and continue to be remunerated by their home Department. The associated costs in respect of these staff have been estimated based on the weighted average salary for employees at each pay grade.

Note 2. Machinery of Government

The Department was created as a result of the Prime Minister's appointment of the Secretary of State for Exiting the EU on 13 July 2016. The first day of operation for the Department was 14 July 2016, which saw the Europe Unit of the Cabinet Office and the Europe Directorate of the FCO migrate to form DExEU.

Since the creation of DExEU resulted in the transfer of functions across departmental boundaries, in accordance with IFRS as interpreted by the FReM, DExEU is required to recognise the results and cash flows of all the combining functions from the beginning of the financial year in which the combination occurred, along with the respective restatement of comparatives for the previous period.

The analysis below provides a reconciliation of the historic results, balances and cash-flows in respect of the functions which transferred into DExEU.

Note that due to the lower materiality threshold of DExEU, some figures reported below may differ to those reported in the financial statements of the Cabinet Office and the FCO.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	£'000		
	Functions transferred from the Cabinet Office	Functions transferred from the FCO	Total
Staff costs	1,999	2,009	4,008
Other operating costs	2,606	3,957	6,563
Total expenditure for the year ended 31 March	4,605	5,966	10,571
Income	-	(3,567)	(3,567)
Net expenditure for the year ended 31 March	4,605	2,399	7,004
Other comprehensive net expenditure	-	-	-
Total comprehensive expenditure for the year ended 31 March	4,605	2,399	7,004

Statement of Comprehensive Net Expenditure for the period 1 April - 13 July 2016

	£'000		
	Functions transferred from the Cabinet Office	Functions transferred from the FCO	Total
Staff costs	479	353	832
Other operating costs	484	232	716
Total Expenditure for the year ended 31 March	963	585	1,548
Income	-	(559)	(559)
Net Expenditure for the year ended 31 March	963	26	989
Other comprehensive net expenditure	-	-	-
Total Comprehensive Expenditure for the year ended 31 March	963	26	989

Statement of Financial Position as at 1 April 2015

	£'000		
	Functions transferred from the Cabinet Office	Functions transferred from the FCO	Total
Current assets	-	-	-
Trade and other receivables	-	1,107	1,107
Total Assets	-	1,107	1,107
Current liabilities	-	-	-
Trade and other payables	(19)	(142)	(161)
Total liabilities	(19)	(142)	(161)
Assets less liabilities	(19)	965	946
Taxpayers' equity	-	-	-
General Fund	(19)	965	946
Total taxpayers' equity	(19)	965	946

Statement of Financial Position as at 31 March 2016

	£'000		
	Functions transferred from the Cabinet Office	Functions transferred from the FCO	Total
Current assets	-	-	-
Trade and other receivables	8	896	904
Total assets	8	896	904
Current liabilities	-	-	-
Trade and other payables	(20)	(311)	(331)
Total liabilities	(20)	(311)	(331)
Assets less liabilities	(12)	585	573
Taxpayers' equity			
General Fund	(12)	585	573
Total taxpayers' equity	(12)	585	573

Note 3. Operating Expenditure (including Staff Costs)

£'000			
	Note	2016-17	(Restated) 2015-16
Non-cash items			
Depreciation	1	167	-
Auditors' remuneration		80	-
Cash items			
Staff costs*		13,963	4,008
Legal costs		3,680	515
Rent and accommodation		3,392	1,036
IT		1,174	173
Professional services		1,083	3,135
Supplies and services		993	1,524
Other staff related costs		379	89
Travel, subsistence and hospitality		344	91
Total operating expenditure		25,255	10,571

*The accountability report, page 15, contains a full breakdown of staff costs.

The external auditors' fees (all notional) for all statutory audit work totalled £80,000. A further £50,000 relates to other assurance work performed by the Government Internal Audit Agency.

Note 4. Operating Income

	£'000	
	2016-17	(Restated) 2015-16
EU secondments	357	2,637
Interpreters' fees	652	930
Total operating income	1,009	3,567

Note 5. Property, Plant and Equipment

	£'000	
	Information Technology	Total 2016-17
Cost or valuation		
At 1 April 2016	-	-
Additions	502	502
At 31 March 2017	502	502
Depreciation		
At 1 April 2016	-	-
Charged in year	(167)	(167)
At 31 March 2017	(167)	(167)
Carrying amount at 31 March 2017	335	335
Carrying amount at 31 March 2016	-	-

As at 1 April 2015 there were no non-current assets, and during 2015-16 there were no additions or disposals of capital assets.

Note 6. Trade and Other Receivables

			£'000
	31 March 2017	(Restated) 31 March 2016	(Restated) 1 April 2015
Trade receivables	419	896	1,107
Prepayments and accrued income	14	8	-
Total trade and other receivables	433	904	1,107

Note 7. Cash and cash equivalents

			£'000
	31 March 2017	(Restated) 31 March 2016	(Restated) 1 April 2015
Balance at 1 April	-	-	-
Net change in cash and cash equivalents	13,513	-	-
Balance at 31 March	13,513	-	-

All balances are held with the Government Banking Service.

Upon the creation of DExEU, the assets and liabilities of the Europe Unit of the Cabinet Office and the Europe Directorate of the FCO transferred into the Department. It has been deemed that these balances do not comprise any cash since these functions were funded by cash belonging to the respective department.

Note 8. Trade and Other Payables

	£'000		
	31 March 2017	(Restated) 31 March 2016	(Restated) 1 April 2015
Trade payables	-	311	161
Amounts issued from the Consolidated Fund for supply but not spent at year end	13,513	-	-
Accruals and deferred income	9,725	20	-
Capital accruals	502	-	-
Machinery of Government payable	3,486	-	-
Total trade and other payables	27,226	331	161

The Machinery of Government payable relates to costs incurred by Cabinet Office on DExEU's behalf, which are reimbursed to the Cabinet Office in arrears.

Note 9. Financial Instruments

The cash requirements of the Department are met through the Estimates process and from income. The only financial instruments held by DExEU are those which relate to DExEU's day-to-day operational activities and include trade and other receivables, cash and cash equivalents, and trade and other payables. The carrying value of these instruments approximates to their fair value. The Department is exposed to limited credit, liquidity or market risk.

Liquidity risk

The Estimates process provides an opportunity during the year via the Supplementary Estimate process to amend funding levels and purposes to reflect changing circumstances and unforeseen events. DExEU is, therefore, exposed to limited liquidity risk.

Credit risk

DExEU's only counterparties in respect of income are other Government departments, therefore DExEU is not exposed to any material credit risk.

Currency risk

The Department has material transactions with the European Commission. The Department pays the European Commission in Euros in respect of the UK Government's use of Interpreters at various events. DExEU then recharges the costs to the other Government departments according to usage by the respective department. Though DExEU may realise foreign exchange gains or losses as a result of the Euro exchange rate in respect of balances owed or owing at the reporting date differing to the spot rate at the time of payment, DExEU's exposure to the currency risk is mitigated by the amounts recharged to other Government departments being determined after payments to the European Commission have been settled. As such, the Department's exposure to currency risk is immaterial.

Note 10. Commitments under Operating Leases

As at 31 March 2017, DExEU held the following commitments under operating leases.

		£'000	
Buildings	31 March 2017	31 March 2017	
Not later than one year	1,430	-	
Later than one year and not later than five years	-	-	
Later than five years	-	-	
Total	1,430	-	

DExEU holds no other obligations under operating leases.

Note 11. Contingent Liabilities disclosed under IAS 37

DExEU holds no contingent liabilities.

Note 12. Related Party Transactions

The Department has made a number of transactions with other Government departments. The most significant of these transactions was a payment of £10,987,000 to the Cabinet Office in respect of spend incurred on DExEU's behalf during the set-up of the Department. In addition, there remain balances outstanding to the Cabinet Office of £3,486,000 and to the FCO of £1,329,000 at the end of the reporting period. These balances have now been settled. Other balances outstanding with other Government departments relate to the reimbursement of costs for staff who are on loan to DExEU, and the recovery of sums owed in relation to EU Interpretation Fees (see note 4).

Non-Executive and Executive Board members must declare to the Permanent Secretary any personal or business interest which may, or may be perceived to, influence their judgement as a Board member. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

The names and titles of all the Ministers who had responsibilities for the Department during the year are provided in the Performance Report. No Minister, Board member, key manager or other related party has undertaken any material transactions with DExEU during the year. Compensation due to key management personnel in year has been disclosed in the Remuneration Report.

Note 14. Events after the reporting period

The Department's financial statements are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 *Events After the Reporting Period*, post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

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