



Department  
for Exiting the  
European Union

# Department for Exiting the European Union

[Annual Report and Accounts 2018-19](#)



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# Department for Exiting the European Union

## Annual Report and Accounts 2018-19

(For the period ended 31 March 2019)

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# PERFORMANCE REPORT

## Overview

### 1 Foreword to the Annual Report and Accounts 2018-19

#### Foreword from the Secretary of State

I was appointed the Secretary of State for Exiting the European Union (EU) in November. As such, this report covers many earlier achievements, including the passing of the EU (Withdrawal) Act in June 2018, repealing the European Communities Act of 1972, and agreeing the legal text of the Withdrawal Agreement. I would like to pay tribute to the work of the whole Department, and the able work of my predecessors David Davis and Dominic Raab.



Since my appointment, the Department has handled significant parliamentary interest, supporting work in a range of areas, from emergency debates to select committee appearances. The parliamentary arithmetic has been challenging, and I am very grateful for the efforts of all staff at DExEU, who continue to act with professionalism and diligence in these testing times.

Alongside this, substantial work has been undertaken on no deal. Whilst I have always been clear that a no deal scenario would be disruptive, I am certain that our state of readiness has significantly improved over my time in the Department, and continues to do so in the run up to October.

The foundations for the next stage of negotiations have also been a key part of our work. That work will be of considerable value in the months ahead whether we leave with or without the current withdrawal agreement.

Internally, the Department and I continue to champion diversity and flexibility in DExEU. Specifically, we are looking to recruit for roles on a more flexible basis to reflect modern lives; to address the gender pay gap; to improve BAME representation; and to champion staff networks on LGBT and disability, amongst others.

At the time of writing there is a great deal of Parliamentary uncertainty. With a change of Prime Minister, the Department has ensured that we are prepared for the changes ahead, and that whatever the outcome, this Department can continue its important work - at the heart of the most pressing challenges facing our country.

**Rt Hon Stephen Barclay MP, Secretary of State for Exiting the European Union**

## Foreword from the Permanent Secretary

I am proud to have taken up the role of Permanent Secretary for DExEU at such an important moment. Under Philip Rycroft's leadership, the Department has worked with professionalism, vigour and extraordinary adaptability in a complex environment.

Throughout 2018-19, DExEU has led a coordinated effort to prepare for the UK's exit from the EU. This has been achieved by people going the extra mile to support negotiations on the Withdrawal Agreement, coordinate work on EU Exit-related legislation and oversee work on the handling of all the international agreements that are dependent on our relationship with the EU. Leaving the EU is a cross-government exercise and the Department has also worked closely with the devolved administrations, Crown Dependencies and Overseas Territories on EU Exit-related issues.



At the heart of the Department is a diverse team with ambitious objectives for the organisation. As the Department has expanded, its capacity and expertise have grown to meet the demands of EU Exit. DExEU has attracted people from inside and outside the Civil Service with a variety of backgrounds and skills, bringing different perspectives to the complex challenges that the Department faces. This is reflected in the range of Diversity and Inclusion networks that have been established in DExEU and which are contributing so much to the Department's ways of working. Key departmental initiatives, such as the DExEU Difference, have also played a big role in developing staff, building the department's culture and maintaining morale.

DExEU continues to have an important role in leading work across government on EU Exit and engaging with business, civil society, Parliament and the devolved administrations. I look forward to leading the Department over the next year as we learn lessons, refine delivery and look for ways to further strengthen collaboration across the UK Government.

**Clare Moriarty, Permanent Secretary and Accounting Officer**

## Non-Executive Board Members' Report

This year has seen DExEU firmly establish itself within Whitehall and continue its work on securing the best possible EU Exit. Working on a project as complex and important as Brexit has been challenging for a Department in only its third year of existence. Nevertheless, it has delivered a great deal of work in quite a short space of time.



Margaret Stephens



Susan Hooper

A year on, we have fostered good relationships with senior staff and have established our position within the Department. We are actively engaged with the corporate agenda, offering in-depth advice to the most senior members of the Department to ensure that DExEU can run as smoothly as possible. Now more than ever it is imperative that the right issues are being looked at, in the right fora, to ensure that the Department is fit for purpose to do the job with which it has been tasked. The recent arrival of a new Permanent Secretary has presented us with a renewed opportunity to re-evaluate these processes and to explore areas in which we can further build on the already strong foundations of a relatively young department.

Our roles include membership of the Executive Board and the Audit and Risk Assurance Committee (ARAC). These are two critical corporate fora that manage the oversight of departmental priorities and ensure that the Department is on track strategically whilst maintaining a solid view of risks that could hinder this. It is through these that we have been able to directly contribute to and advise on the work that the Department is doing.

As DExEU is one of the many departments working on EU Exit, it has been important for us to engage with our colleagues across Whitehall. There has been an enormous coordination effort across government, much of which has gone through the Department, and relationships are key to ensuring that this exchange of information runs as efficiently as possible. To that end, we have continued to work with the Non-Executive network and senior officials, who have provided expertise of their own to help us with our roles, and have ensured that we provide the best advice possible.

It has been a challenging, yet rewarding experience for us and we look forward to continuing to contribute to the delivery of the Department's objectives and the continued improvement of all the work that staff are doing.

**Margaret Stephens, Non-Executive Board Member and Chair of ARAC**

**Susan Hooper, Non-Executive Board Member**

## 2 Purpose

2.1 This overview provides a summary of the Department, its purpose, objectives and performance against those objectives, and the risks the Department faces.

## 3 About the Department for Exiting the European Union

3.1 The Department was established on 14 July 2016, after the 23 June 2016 Referendum, to coordinate the UK's withdrawal from the EU. As set out in the Machinery of Government (MoG) Written Statement by Prime Minister Theresa May on 24 July 2018, there was a change to DExEU's functions. DExEU leads on all of the Government's preparations for UK exit, including domestic preparations in both a deal and no deal scenario and implementing the detail of the Future Framework.

3.2 The Secretary of State for Exiting the EU is supported by officials in DExEU, the Cabinet Office Europe Unit (COEU) and by the UK Permanent Representation to the EU (UKRep) in Brussels, although UKRep continues to operate as part of the Foreign and Commonwealth Office (FCO).

3.3 The Department publishes its annual Single Departmental Plan (SDP) on GOV.UK<sup>1</sup>. The SDP articulates the Department's strategic objectives for the year. Our objectives for the reporting period were to:

- Secure the best possible deal on the UK's departure from the EU; and build a deep and comprehensive future partnership between the UK and the EU.
- Deliver and legislate for the UK's smooth and orderly exit from the EU.
- Inform, engage and mobilise interested parties to help shape and secure a successful exit from the EU.
- Attract, develop and retain great people and organise ourselves flexibly to deliver our objectives efficiently and effectively.

3.4 The organisation chart is regularly updated on the Department's GOV.UK website<sup>2</sup>.

### Going concern

3.5 Following the result of the 2016 referendum, the UK will leave the EU. The Prime Minister is responsible for the overall organisation of the Government and the allocation of functions between Ministers. At the reporting date, no decisions have been taken over the future structure of the Government after the UK has left the EU.

3.6 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 2019-20 is due to be received early in the 2019-20 financial year, and HM Treasury (HMT) has published the 2019-20 Vote on Account, which provides authority for spending on continuing services by DExEU until Royal Assent is received for the Main Estimates. In addition, in the 2016 Autumn Statement DExEU received a budget allocation up to and including the 2019-20 financial year. The initial commission for Spending Review (SR) 19 has been issued to DExEU, asking the Department to consider its future plans for the next three years. Although formal returns are not

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<sup>1</sup> <https://www.gov.uk/government/publications/department-for-exiting-the-european-union-single-departmental-plan/department-for-exiting-the-european-union-single-departmental-plan--2>

<sup>2</sup> <https://www.gov.uk/government/organisations/department-for-exiting-the-european-union>

due until autumn 2019, the Department is preparing a bid and expects to receive funding for the next SR period. Therefore, it is considered appropriate to prepare these financial statements on a going concern basis.

## Risk

3.7 Effective risk management is an essential part of ensuring DExEU is able to deliver its objectives. The Department's priorities and delivery context necessitate reliable risk management processes that can also be flexible to changing circumstances. DExEU maintains a central operational risk register. Through this, a number of key operational risks have been identified and reported, and action taken to reduce risk likelihood and impact where possible. Some of the key risks identified are recruitment and retention of staff, quality of management information, the effectiveness of financial and HR system processes and improving information management systems. Further information on our approach to risk management can be found in the Governance Statement on page 19.

## 4 Performance Summary

4.1 DExEU plays a vital role at the centre of government on preparations for leaving the EU, including domestic preparations in both a deal and a no deal scenario, all of the necessary legislation, and preparations for the negotiations to implement the detail of the Political Declaration on the UK's future relationship with the EU. The Department has led engagement with the devolved administrations, Parliament, EU Member States and Institutions and a wide range of other interested parties on EU Exit preparations.

4.2 DExEU supports the Prime Minister and the Secretary of State for Exiting the EU in the negotiations on the UK's withdrawal from the EU, maintaining close ties with the COEU and the Prime Minister's Europe Advisor.

4.3 The Department has also continued to work closely with UKRep in Brussels to lead on coordinating the cross-government programme of ongoing European business.

4.4 To meet our business requirements, DExEU has continued to grow and develop its capability. The number of staff has increased to 739 on 31 March 2019 from 630 on 31 March 2018<sup>3</sup>. A talented group of people have been recruited: loans from other government departments (OGDs), talent schemes such as the Fast Stream, external hires and secondments. The Department operates a partially flexible staffing model whereby 5% of staff are in a priority projects unit. The priority projects unit deploys quickly to short term projects in areas of higher priority.

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<sup>3</sup> The number of staff has been re-stated for prior year as part of the MoG. See Note 13 on page 61 for further details.

## Performance Analysis

### 5 Performance Reporting

5.1 The SDP outlines DExEU's strategic objectives for 2018-19, which were amended in July 2018 following the MoG transfer of functions. Given the Department's single purpose of supporting government policy, performance is assessed through how it supports progress towards these outcomes. This is detailed below.

#### **Secure the best possible deal on the UK's departure from the EU; and build a deep and comprehensive future partnership between the UK and the EU**

##### *Finalise Article 50 negotiations with the EU*

5.2 As part of our work towards securing the best possible deal on the UK's departure from the EU, the UK and the EU reached agreement on the Withdrawal Agreement that was published on 14 November 2018 on GOV.UK<sup>4</sup>. This agreement was endorsed by the EU Member States at the special European Council on 25 November 2018. The agreement was presented to the House of Commons for a vote on 15 January 2019, 12 March 2019 and 29 March 2019. These votes were lost and to date, the Withdrawal Agreement has not been approved by Parliament.

5.3 The Withdrawal Agreement provides for the protection of citizens' rights, for UK nationals in the EU and EU nationals in the UK. The deal also provides for an implementation period, separation provisions, financial settlement arrangements and governance as well as protocols on Ireland/Northern Ireland, Gibraltar and the Sovereign Base Areas in Cyprus.

##### *Deliver an implementation period to allow all involved time to adjust, and to provide certainty*

5.4 The Withdrawal Agreement negotiated with the EU provides for an Implementation Period that would start from the UK's exit from the EU and last until 31 December 2020. During this period the UK would no longer be a Member State of the EU but would retain market access on current terms.

##### *Build a future partnership that protects our shared interests and values*

5.5 Published alongside the Withdrawal Agreement was the Political Declaration on the future relationship with the EU. The ambitions for the future relationship include a free trade area with no tariffs, fees, quantitative restrictions or rule of origin checks, and would maintain close cooperation with the EU on matters of security and law enforcement. The Political Declaration further outlined how we planned to deliver the legal agreements that would implement the future relationship at the end of the Implementation period.

5.6 As part of our objective to agree cross-cutting provisions which underpin the exchange of data, information and governance, the UK and the EU seek to achieve arrangements for appropriate cooperation between regulators. Furthermore, the EU's data protection rules provides for a framework allowing the European Commission (EC) to recognise a third country's data standards as providing an adequate level of protection thereby facilitating transfers of personal data to that third country. On the basis of this framework and if the applicable conditions are met, the EC would start the assessments with respect to the UK as soon as possible after the UK's withdrawal, endeavouring to adopt decisions by the end of 2020.

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<sup>4</sup> <https://www.gov.uk/government/publications/withdrawal-agreement-and-political-declaration>

5.7 The Department continues to support the Government and prepare for a deal as well as making progress on developing our future relationship with the EU for the next period. Furthermore, while an extension to Article 50 is ongoing, the UK retains all the rights and obligations as a Member State, and we continue to meet our responsibilities as a Member State in good faith.

### **Deliver and legislate for the UK's smooth and orderly exit from the EU**

*Coordinate a comprehensive legislative programme on EU Exit that will provide certainty for businesses, workers and consumers*

5.8 The Department led development and passage of the EU (Withdrawal) Act, which received Royal Assent on 26 June 2018. The Act aims to prepare the statute book for exit day, retaining EU law as it applied up to that day, and making corrections to ensure it is operable.

5.9 DExEU has overseen all EU Exit-related primary and secondary legislation across government, working closely with the Cabinet Office (CO). Since the EU (Withdrawal) Act received Royal Assent, over 530 statutory instruments (SIs) have been laid in Parliament in relation to EU Exit and over 95% have completed their passage through Parliament. The majority of these SIs are required in either a deal or no deal scenario, and they will be deferred to the end of an implementation period if no longer required upon exit day.

5.10 A total of 199 of these SIs have been in devolved areas. These are a testament to the successful working relationship with the devolved administrations throughout the process, allowing for consent to be sought and agreed for all of them.

5.11 In addition to the EU (Withdrawal) Act, five other EU Exit-related Acts have received Royal Assent: the Sanctions and Anti-Money Laundering Act, the Nuclear Safeguards Act, the Haulage Permits and Trailer Registration Act, the Taxation (Cross-Border Trade) Act, and the Healthcare (European Economic Area and Switzerland Arrangements) Act. Five more EU Exit-related government bills are currently in Parliament: the Trade Bill, the Agriculture Bill, the Fisheries Bill, the Financial Services (Implementation of Legislation) Bill and the Immigration and Social Security Coordination (EU Withdrawal) Bill. The Financial Services Bill will allow the Government to implement financial services regulations in the case of a no deal exit. The other four EU Exit-related Bills currently in Parliament are required in all scenarios.

*Negotiate as one UK taking due account of the specific interests of every nation and region of the UK, and of the Crown Dependencies and Overseas Territories*

5.12 Our close engagement with the devolved administrations has included regular ministerial discussions through the Joint Ministerial Committee on EU Negotiations, which is chaired by the Chancellor of the Duchy of Lancaster and which the Secretary of State for Exiting the EU attends. The Ministerial Forum on EU Negotiations, co-chaired by Minister Robin Walker, Parliamentary Under Secretary of State for Exiting the EU, was established in May 2018 and has met eight times, discussing a range of issues relating to the UK's future relationship with the EU. The Joint Ministerial Committee on Europe, chaired by Lord Callanan, Minister of State for Exiting the EU, has also continued to meet on a quarterly basis to discuss the UK's priorities for EC meetings. This is underpinned by ongoing engagement at official level via various fora and sits alongside ministerial appearances before the devolved legislatures.

5.13 The Department is committed to continuing this engagement, and getting the support of the devolved administrations and legislatures for our approach to areas where we will be seeking their consent. We are working closely with the devolved administrations at an official and ministerial level. In the absence of an executive in Northern Ireland, we are of course also engaging with the Northern Ireland Civil Service.

5.14 Engagement with the Crown Dependencies this year has included three meetings of the Chief

Ministers' Quarterly Meeting, chaired by DExEU Parliamentary Under Secretary of State Robin Walker MP. The most recent meeting was on 28 January 2019.

5.15 The Government also regularly meets with representatives from the Overseas Territories including through the UK Overseas Territories Joint Ministerial Council, which last met on 4 and 5 December 2018. The primary forum for this engagement is the Joint Ministerial Council (Gibraltar EU Negotiations) chaired by Minister Robin Walker, which has met regularly, including most recently on 24 January 2019. It has agreed measures such as continued UK market access, closer working on gambling regulation and strengthening our educational links.

5.16 On regional engagement in England, the Mayoral Forum is attended by elected Mayors from the seven Combined Authority areas. The Forum has met twice over the last year, and is chaired by Minister Kwasi Kwarteng, Parliamentary Under Secretary of State for Exiting the European Union. Minister Kwarteng also regularly attends the Ministry of Housing, Communities and Local Government (MHCLG) EU Exit Board, which meets monthly, to provide local councils with an update on EU Exit. This is attended by the Local Government Association, and is chaired by MHCLG Secretary of State James Brokenshire.

*Scrutinise policy and delivery planning; support, monitor and catalyse implementation; and develop policy positions on cross-government policy priorities*

5.17 The Department has led work to develop an integrated picture of the policy changes required across government to ensure as smooth as possible an exit in a range of scenarios. We scrutinise domestic policy solutions and the delivery plans that departments develop, to ensure coherence between plans and the significant assumptions that plans are based on.

5.18 In relation to domestic preparations for a no deal scenario, the Department has undertaken significant work to coordinate preparations and provide certainty for businesses, consumers and citizens. Over the course of August, September and October 2018, we published 106 technical notices to ensure that citizens and businesses have the information to prepare for EU Exit. In addition to this, publications concerning citizen's rights, trade and international agreements have been published on the GOV.UK website to inform businesses, consumers and citizens of the implications of a no-deal and the necessary preparations being undertaken by the Government.

5.19 The Prime Minister chairs Cabinet Committees on EU Exit and Trade and the Negotiations to oversee the EU Exit and the negotiations at Cabinet level. The Department has also run a series of cross-government governance arrangements to coordinate work across Whitehall and secure consensus on cross-government issues. The Department has submitted analysis and advice to these groups to obtain official and ministerial agreement on cross-government policy priorities.

*Lead cross-government work on international agreements*

5.20 In relation to international agreements, in a deal scenario it was agreed that the EU would notify treaty partners that the UK was to be treated as a Member State for the purposes of international agreements during the implementation period. This would provide a basis for continuity during the implementation period. The Department has also made progress towards putting successor agreements in place across a number of sectors when the EU's agreements no longer apply. In a no deal scenario, the Department has achieved international agreements to ensure continuity for citizens and a smooth and orderly exit. This includes the UK and European Economic Area European Free Trade Association (EEA EFTA) states agreement as well as the UK and Switzerland agreement, whereby UK and EEA EFTA nationals, and UK and Swiss nationals, living in each other's countries before exit day will be able to continue living their lives broadly as they do today.

## **Inform, engage and mobilise interested parties to help shape and secure a successful exit from the EU**

### *Enable parliamentary scrutiny, whilst balancing the need to protect the Government's negotiating position*

5.21 The Department continues to provide opportunities for ongoing scrutiny throughout the negotiating process and is committed to continually ensuring Parliament is updated through regular communications. The Department's engagement with Parliament has continued to be extensive. DExEU has answered a particularly high number of Urgent Questions this year, and between 1 April 2018 and 31 March 2019, 847 written parliamentary questions were tabled to the Department and subsequently answered. Since the beginning of the parliamentary session in 2018, DExEU Ministers have given evidence to a range of committees on 19 occasions, including, at April 2019, eleven appearances at the Exiting the European Union Committee and three sessions at the Lords EU Committee, with officials also making appearances.

### *Engage with Member States and Institutions on the UK's objectives for its departure from the EU and the future partnership*

5.22 This year, DExEU Ministers have continued to regularly engage with key EU interlocutors in Brussels, Member States and London. Senior officials from DExEU also frequently visit and host their European counterparts.

5.23 DExEU has provided clear guidance and support across Whitehall to ensure that the UK has continued to meet the rights and obligations of EU membership. DExEU Ministers have represented the UK at the General Affairs Council meetings, which discussed a number of cross-cutting policy areas including preparing meetings of the European Council and issues relating to the EU's institutional framework. The Department has played a full part in decision-making in EU institutions and participation as a Member State. Moreover, the Department has actively supported engagement and coordination between UKRep, Whitehall departments and devolved administrations at official and ministerial level to ensure consistent handling of ongoing EU business.

### *Work with a wide range of other interested parties throughout the negotiations*

5.24 Ministers from across government have undertaken extensive engagement with business and civil society organisations, including the EU Exit Business Advisory Group chaired by the Secretaries of State for DExEU and the Department for Business, Energy and Industrial Strategy (BEIS) and the Chancellor of the Exchequer, and the BEIS high-level stakeholder working group with further education stakeholders; from April 2018 to March 2019, there have been four meetings of the Business Advisory Group. Since April 2018, the Department has hosted a business event at Chevening House, participated in a business teleconference with over 400 business leaders, hosted a tech townhall and met the European Roundtable of Industrialists. Ministers have also attended events and roundtables with leading think tanks and academics, such as the UK in a Changing Europe, Chatham House and RUSI.

5.25 DExEU Ministers have undertaken approximately 250 engagements from April 2018 to March 2019 covering all sectors of the economy and a broad range of civil society groups. This ongoing engagement has been essential in order to continue preparations for the UK leaving the EU, understand key stakeholder concerns, and to develop DExEU's policy regarding the UK's Future Relationship with the EU.

### *Continue to meet the UK's obligations as a member of the EU and promote UK interests*

5.26 The Department has continued to work in conjunction with the COEU and Economic and Domestic Affairs Secretariat, with OGDs and with the devolved administrations in coordinating and progressing European business.

5.27 UKRep, which reports to DExEU and FCO Ministers, has been involved in an unprecedented level of engagement regarding safeguarding the UK’s interests as a whole in the EU and assisting in our withdrawal. UKRep continues to represent UK interests in negotiations on EU legislation until the UK’s exit.

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

*Recruit, develop and retain great people*

5.28 In DExEU we have focussed on ensuring that we have the right resources, skills and capabilities to deliver within our exceptional context. The Department has grown from 630 people as at 31 March 2018 to 739 at 31 March 2019, bringing together officials with a wide range of policy expertise from across government and outside of the Civil Service. UK based staff are additionally supported by over 150 UKRep staff, based in Brussels, who report jointly to FCO and DExEU Ministers. We continue to make good progress in recruitment through a variety of campaigns, and by optimising a range of talent pipelines such as the Fast Stream, Direct Appointments Scheme, secondments and apprentices. We regularly undertake resourcing reviews across all areas of the Department to ensure future resourcing requirements, including the knowledge, skills and expertise required, are identified.



5.29 While our attrition rate remains higher than the average in Whitehall departments, it has remained largely stable and we have introduced a range of measures to seek to reduce turnover. In addition, the agile nature of the Department requires a flexible staffing model including fixed-term contracts, loans from OGDs and staff on the Civil Service Fast Stream programme, which requires them to rotate on a regular basis. While this allows us to flexibly meet the changing demands of the business, the retention of staff remains a priority for DExEU to ensure that we are able to retain key skills, knowledge and experience to continue to deliver our objectives.

5.30 To support retention and the ongoing development of our staff, we have developed ‘the DExEU Difference’, our employee value proposition, as set out below. Our offer to staff includes a comprehensive learning and development offer, the possibility of conversion to a permanent contract and opportunities for promotion within the Department. A large part of the offer focuses on the development opportunities available to employees via the DExEU Academy, for example access to professional one-to-one coaching, line management programmes, technical training such as EU Skills and Understanding Parliament as well as mentoring opportunities.

5.31 Staff engagement has been a key priority and the Department’s third People Survey launched in October 2018. The survey was completed by 92% of staff. Our overall engagement score was 68%. This score is up by 5% points on the previous year and is 6% points higher than the Civil Service 2018 average. As set out below our scores have improved over each of the survey themes:



5.32 The survey provided insight and evidence to shape our People Strategy and as a result of the survey, we are continuing our particular focus on improving wellbeing support, inclusion and fair treatment and ensuring staff can take the time to benefit from our learning and development offer.

5.33 Two-way engagement and collaboration with staff is a fundamental part of our ways of working and goes beyond the People Survey. The Department uses a broad range of engagement channels with staff and in January the Permanent Secretary Philip Rycroft launched a campaign ‘DExEU Matters’ to further develop the approach to engagement. The campaign is an opportunity to listen to staff and shift the emphasis onto how we equip ourselves for the future. This work will continue into the next year as we look to ensure continuous improvement in the way in which we communicate to and engage with our staff.

5.34 The Department continues to embed the departmental values, which were developed by staff, to help make the Department a great place to work that embraces its exceptional context, fosters collaboration and empowers its staff.

## Our Values



5.35 Working in partnership with staff-led networks, trade unions and our Shadow Board are key examples of how we actively listen and respond to the employee voice. We have 13 networks set up for DExEU staff, by DExEU staff. From the outset, we have built relationships with recognised trade unions, meeting on a regular basis to discuss our people plans and objectives. We also have an established Shadow Board which provides opportunities for employees to shape and influence how the Department is managed.

5.36 Diversity and inclusion is embedded in everything we do and we are committed to ensuring that employees are able to bring their whole self to work. Our Equalities network strives to make DExEU one of the most transparent and diverse departments in government. The network is staff-led, with leads in each area who organise a range of activities and initiatives for their colleagues. Our networks have achieved a lot alongside HR colleagues including launching a reverse mentoring programme, training more mental health first aiders and holding various training and speaker events to raise awareness of all the networks across the Department. In 2019 DExEU achieved a silver accreditation at the Mind Index Awards following achievements in promoting staff mental health and by demonstrating progress and impact over time. From employers across different sectors DExEU ranked 20th out of 106 organisations.

### *Operate efficiently*

5.37 Where possible, the Department works with OGDs to make use of shared services for a range of functions, including the provision of accommodation, IT, commercial, 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 three 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), CO and HM Revenue and Customs (HMRC) estate means that it benefits from sustainability measures undertaken by these departments. Further information is provided in the sustainability reporting section on page 13.

5.38 The Department’s governance arrangements are discussed in the Governance Statement on page 19.

### Departmental expenditure profile 2018-19

5.39 In 2018-19, the Department received a total budget of £96.0m comprising £92.2m Resource Departmental Expenditure Limit (RDEL), £0.8m Capital (CDEL) and £3.0m Annually Managed Expenditure (AME) as part of Main Estimates for the Financial Year. This budget was provided to DExEU to deliver its objectives as set out on page 4.

5.40 On 24 July 2018 18 roles were transferred to the CO in order to provide additional support to the COEU. An RDEL budget of £1.7m and CDEL budget of £0.02m were thus transferred, with subsequent changes to net cash requirement, as part of the Supplementary Estimate. The impact of this MOG transfer can be seen in Note 13 to the Financial Statements, on page 61. There were no other budgetary amendments made during the year.

5.41 During 2018-19, the Department incurred RDEL expenditure totalling £79.4m (2017-18 £55.8m), reflecting an underspend of £11.2m (2017-18 £19.6m). DExEU’s budget was developed to ensure there was adequate resource to deliver its objectives, ensuring flexibility to address ongoing uncertainty arising from exiting the EU. The majority of the Department’s expenditure is on staff related costs, totalling £48.9m in 2018-19 (2017-18 £32.9m). Further detail on DExEU’s variance against budgets can be found in the Financial Overview on page 45.

## 6 Performance against Other Required Reporting

### Other required reporting

#### *Complaints to the Parliamentary Ombudsman*

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

#### *Whistleblowing*

6.2 DExEU has implemented a whistleblowing policy specifically designed by Civil Service Employee Policy, which is a consistent approach to OGDs. In 2018, we sought volunteers from across the Department to undertake the necessary training and act as Nominated Officers. All nominated officers are invited to join a cross-government network of nominated officers to share best practice and learning. Staff also have access to an independent whistleblowing advice service from Public Concern at Work.

6.3 There have been fewer than five whistleblowing cases raised within the Department in the reporting period. This has been investigated in line with the policy.

#### *Internal Fraud*

6.4 DExEU has implemented an internal fraud policy which was designed by the CO and is utilised by a number of OGDs. All participating departments are able to join a cross-government network to share best practice and learning. To date there have been no cases of internal fraud.

#### *Public correspondence*

6.5 In 2018, the Department replied to 4,860 pieces of correspondence overall (from parliamentarians, the public and other stakeholders). Within this, the Department replied to 2,164 pieces of ministerial correspondence – of which 60% were responded to within the Department's agreed target of 20 working days.

#### *Freedom of information requests*

6.6 Freedom of Information Act 2000 (FoI) request volumes are collated annually (January to December) by the CO. For the 2018 year, DExEU received 597 FOI requests, of which 96% were answered on time – exceeding the target (90%) set for FOI timeliness by the Information Commissioner's Office. Cross-government FOI statistics are published quarterly and annually<sup>5</sup>.

#### *Health and safety*

6.7 There have been fewer than five accidents during the reporting period. No injuries were sustained and the accidents were not reportable to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. First aiders treated those involved and the incidents were investigated and closed with no further action being required.

6.8 The Department has undertaken a programme of work to improve workplace adjustments for staff. In coming months, Civil Service Workplace Adjustments Service and an online display screen equipment solution will be launched.

#### *Sustainability*

6.9 DExEU is committed to reducing the environmental impacts associated with day-to-day operations and has taken great strides in this area since the last Annual Report and Accounts. A number of recent

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<sup>5</sup> <https://www.gov.uk/government/collections/government-foi-statistics#2018>

campaigns and initiatives have been put in place, principally to raise awareness with staff on how to work in a more sustainable way, as well as outlining the direction of travel for the Department and government.

6.10 A Sustainability Hub has been launched on the departmental intranet pages, covering the principles for a “Greener” Department, Reducing Carbon Emissions, Reducing Waste and Saving Water. In addition, we are utilising the high levels of staff engagement with sustainability issues by creating a staff network of “Green Champions” across our estate, who will provide fresh thinking and challenge to ensure that we drive forward our work in this area.

6.11 We are working with our landlords and facilities management providers to improve recycling and associated guidance, and to find alternatives to single use plastics and reduce the need for incineration. In addition, we are transitioning more services on an online platform with a view to producing a decrease in paper consumption.

6.12 As a coordinating rather than policy making department, DExEU does not create policy in which environmental issues need to be considered. Additionally, the Department does not have its own buildings and instead occupies space within buildings run by OGDs, underpinned by managed service agreements with the Government Property Agency (GPA). As such, the amount of sustainable reporting that DExEU is able to do is limited, as metrics such as electricity, water and gas usage are monitored by the landlord departments and GPA. Having recently transferred oversight of our estate to GPA, we are working closely with them on ways in which we can enhance our tracking of sustainability metrics in the future.

6.13 The limitations of our reporting were acknowledged in our contribution to the Greening Government Commitments Annual Report 2017-18, which outlined the parameters in which we work. We were, however, able to provide the report with a case study regarding our use of recycled/remodelled desks to ensure that costs were saved and unnecessary waste was prevented.

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

	2018-19	2017-18
Domestic flights	162	79
Overseas short-haul flights	458	727
Overseas long-haul flights <sup>1</sup>	15	37
<b>Total flights</b>	<b>635</b>	<b>843</b>

<sup>1</sup> 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.

# ACCOUNTABILITY REPORT

## Corporate Governance Report

### 7 Directors' Report

#### Our Board

7.1 These Board arrangements relate to the 2018-19 reporting period. In order to provide the necessary leadership, advice and constructive challenge, DExEU had an Executive Board, chaired by the Permanent Secretary, which was attended by senior leaders from the Department and its Non-Executive Board Members. Board members are listed below.

7.2 The Board was supported by a series of Committees. Further information on DExEU's governance structure is provided in the Governance Statement on page 19.

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 website<sup>6</sup>.

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 61.

#### Our Ministers

*In post at 31 March 2019*



**The Rt Hon Stephen Barclay MP**  
Secretary of State for Exiting the European Union  
From 16 November 2018



**Lord Callanan**  
Minister of State  
From 27 October 2017



**Chris Heaton-Harris MP**  
Parliamentary Under Secretary of State  
From 9 July 2018



**Kwasi Kwarteng MP**  
Parliamentary Under Secretary of State  
From 16 November 2018



**Robin Walker MP**  
Parliamentary Under Secretary of State  
From 17 July 2016

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<sup>6</sup> <https://www.gov.uk/government/organisations/department-for-exiting-the-european-union>

### Previously in post during 2018-19



**The Rt Hon David Davis MP**  
Secretary of State for Exiting the European Union  
Until 8 July 2018



**The Rt Hon Dominic Raab MP**  
Secretary of State for Exiting the European Union  
Until 15 November 2018



**Suella Braverman MP**  
Parliamentary Under Secretary of State  
Until 15 November 2018



**Steve Baker MP**  
Parliamentary Under Secretary of State  
Until 9 July 2018

### Non-Executive Board Members

7.5 Margaret Stephens and Susan Hooper were appointed in April 2017. As part of their role they are members of the Executive Board and ARAC, the latter of which Margaret chairs.



**Margaret Stephens**  
Non-Executive Board Member



**Susan Hooper**  
Non-Executive Board Member

### Our Permanent Secretary



**Philip Rycroft**  
Permanent Secretary and Accounting Officer  
Until 31 March 2019



**Clare Moriarty**  
Permanent Secretary and Accounting Officer  
From 1 April 2019

### Our Directors General and Executive Directors

#### In post at 31 March 2019



**Alex Ellis**  
Director General



**Susannah Storey**  
Director General



**Matt Baugh**  
Director, Strategy and Coordination



**Helen Mills**  
Director, Corporate Centre<sup>7</sup>

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<sup>7</sup> Helen Mills has taken over the full corporate portfolio following the departure of Richard Ney, who she previously shared the directorship of and membership for the Department's Corporate Centre.

### Previously in post during 2018-19



**Simon Case**  
Director General  
Until 30 June 2018



**Sarah Healey**  
Director General  
Until 23 July 2018



**Richard Ney**  
Director, Corporate Centre and Finance  
Until 27 January 2019

7.6 A representative from UKRep attended the Executive Board and the Operations Committee<sup>8</sup>. This was to ensure UKRep had visibility of the Department's decision-making with a DExEU Non-Executive Board Member sitting on the UKRep Management Board.

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

### Auditors

7.8 DExEU's accounts for 2018-19 have been audited by the Comptroller and Auditor General (C&AG). The total cost of the audit is £106k (2017-18 £90k) and is recorded as a notional charge through Taxpayers' Equity. During the reporting year, no payments were 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 1 April 2018 to 31 March 2019.

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<sup>8</sup> See paragraph 9.13 on page 20 for further details.

## 8 Statement of Accounting Officer's Responsibilities

8.1 Under the Government Resources and Accounts Act 2000, HMT has directed DExEU to prepare resource accounts for each financial year 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, Statement of Financial Position 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 Government Financial Reporting Manual (FReM)<sup>9</sup> and in particular to:

- observe the Accounts Direction issued by HMT, 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 HMT 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 (MPM) published by the HMT<sup>10</sup>.

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<sup>9</sup> <https://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019>

<sup>10</sup> <https://www.gov.uk/government/publications/managing-public-money>

## 9 Governance Statement

9.1 This statement describes the governance, risk management and internal control arrangements for the Department. It covers the period from 1 April 2018 to 31 March 2019, during which Philip Rycroft was the Accounting Officer.

### *Governance framework*

9.2 The governance structure of DExEU, for the majority of the period covered in this report, is outlined in the diagram below<sup>11</sup>:



9.3 These arrangements allowed the Department to remain flexible and agile and to adapt to the nature of its work during the reporting period.

9.4 The Executive Board was the forum in which the operational and strategic management of the Department was discussed and decided. It was chaired by the Permanent Secretary and attended by the Directors General, both Non-Executive Board Members, the Corporate Centre Director, the Deputy Head of Mission at UKRep and the Director of Strategy and Coordination. It met four times during the reporting period (May, October, December and January).

9.5 During the year, the Executive Board reviewed departmental strategies on accommodation, staff wellbeing and general people issues, including diversity and inclusion. It also made decisions affecting the future shape of the Department in terms of staffing, values and estates, and ensuring that it is fit for purpose. These decisions were taken with the input of our Non-Executive Board Members to ensure that proper external advice had been taken into account during the decision-making process.

9.6 ARAC reported to the Executive Board and provided advice on issues relating to governance, risk management and accountability. The members were Margaret Stephens, Chair and Non-Executive Board Member, Susan Hooper, Non-Executive Board Member, and Mark Sheridan, the Independent Member. Representatives from the Government Internal Audit Agency (GIAA) and National Audit Office (NAO), as well as the Corporate Centre Director, also attended.

9.7 The Operations Committee was a sub-committee of the Executive Board, whose remit was to monitor the corporate performance of the Department as well as the operational risks that could inhibit this. It was attended by the members; both Directors General, all Directors, one of the Non-Executive Board Members

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<sup>11</sup> See paragraph 9.16 for further details on changes during the year.

(Susan Hooper) and the chair of the Shadow Board. A report of actions taken and decisions made was provided to the Executive Board. It met nine times during the reporting period (April, May, June, July, September, October, December, February and March).

9.8 The Shadow Board was an advisory forum of DExEU staff at delegated grades (Bands C to A+). The Shadow Board generally followed the agendas (and sat in advance) of the Operations Committee but also regularly discussed issues on prominent departmental matters. The Shadow Board chair then provided feedback from the Board to the Operations Committee to assist the Committee in its decision making. This process of staff engagement on issues being taken through the Department’s governance helped make decision making by the senior team more transparent.

9.9 The Talent and Workforce Committees oversaw talent management and workforce planning for the senior civil servants (SCS) in the Department. The SCS1 Committee was chaired by a Director General and primarily focused on developing the cohort of staff at SCS1 grade. The A+ Committee was chaired by a Director and focused on the pipeline of DExEU talent coming into the SCS from Grade A+. They met alternately on a monthly basis.

9.10 The Spending and Investments Committee had a remit to ensure the Department was achieving value for money in its use of resources. It was chaired by the Corporate Director and met fortnightly as required. Its remit was defined within the Department’s framework for delegated approvals to review cases for investment. It also regularly evaluated the position on other cost drivers, most notably the Department’s staffing position and projections.

9.11 A Policy Board of the senior leadership was also convened to coordinate and discuss the Department’s strategic, complex or priority policy/strategy issues across the breadth of DExEU’s business. It was chaired by the Permanent Secretary and attended by Directors General and Directors from DExEU, with representation from UKRep. It met more or less on a weekly basis.

9.12 Members of the Executive Board, including the Permanent Secretary, consistently met with members of the Ministerial team to ensure that Ministers were kept up-to-date with strategic and policy issues and had sight of corporate priorities.

*Board attendance*

9.13 Executive Board, ARAC and Operations Committee meetings held and attended during the year are reflected in the tables below:

*Executive Board officials in post at 31 March 2019*

<b>Executive Board</b>	<b>Meetings attended/ total meetings held in 2018-19</b>
Philip Rycroft, Permanent Secretary	4/4
Alex Ellis, Director General	1/4
Susannah Storey, Director General	3/4
Matthew Baugh, Director, Negotiation Coordination Unit	4/4
Helen Mills, Director, Corporate Centre	4/4
Margaret Stephens, Non-Executive Board Member	4/4
Susan Hooper, Non-Executive Board Member	4/4
Emma Gibbons, Deputy Head of Mission, UKRep	3/4

#### Executive Board officials previously in post during 2018-19

Executive Board	Meetings attended while in post/ total possible while in post
Simon Case, Director General Until 30 June 2018	1/1
Sarah Healey, Director General Until 23 July 2018	1/1
Richard Ney, Director, Corporate Centre Until 27 January 2019	3/4

#### Attendance per Executive Board Meeting during 2018-19

Executive Board Meeting	Meetings attended/ total possible	Percentage of attendance
Board Meeting 1	9/11	82%
Board Meeting 2	8/9	89%
Board Meeting 3	8/9	89%
Board Meeting 4	7/9	78%

#### Executive Board member's attendance at ARAC in post at 31 March 2019

ARAC Board Members	Meetings attended/ total meetings held in 2018-19
Margaret Stephens, Chair, Non-Executive Board Member	5/5
Susan Hooper, Non-Executive Board Member	3/5
Mark Sheridan (Independent Member)	3/5

#### Attendance per ARAC Board Meeting

ARAC Board Meeting	Number of Board Members attended/ total possible	Percentage of attendance
Board Meeting 1	2/3	67%
Board Meeting 2	2/3	67%
Board Meeting 3	3/3	100%
Board Meeting 4	3/3	100%

#### Executive Board officials in post at 31 March 2019 attendance at Operations Committee

Operations Committee	Meetings attended/ total meetings held in 2018-19
Alex Ellis, Director General	6/9
Susannah Storey, Director General	7/9
Matthew Baugh, Director, Negotiation Coordination Unit	8/9
Helen Mills, Director, Corporate Centre	5/9
Susan Hooper, Non-Executive Board Member	3/9
Emma Gibbons, Deputy Head of Mission, UKRep	3/4

### Executive Board officials previously in post during 2018-19 attendance at Operations Committee

Operations Committee	Meetings attended while in post/ total possible while in post
Simon Case, Director General Until 30 June 2018	1/4
Sarah Healey, Director General Until 23 July 2018	2/4
Richard Ney, Director, Corporate Centre Until 27 January 2019	6/9

### Attendance per Operations Committee Meeting

Operations Committee Board Meeting	Meetings attended/ total meetings held in 2018-19	Percentage of attendance
Board Meeting 1	5/9	56%
Board Meeting 2	6/9	67%
Board Meeting 3	5/9	56%
Board Meeting 4	7/9	78%
Board Meeting 5	4/8	50%
Board Meeting 6	4/7	57%
Board Meeting 7	5/7	71%
Board Meeting 8	4/6	67%
Board Meeting 9	6/6	100%

### Board effectiveness

9.14 As the Department is in its third year of running, the Executive Board was due to undergo an external board effectiveness evaluation. Due to the circumstances in which the Department has been working, an external review of the Board has not been done this year. At the time that an external review was due to take place, the Department was at the peak of its potential deliverable work cycle and as a result, the decision was taken to prioritise EU Exit work ahead of the review. In its place, the Department has undertaken its own internal review, completed in 2018, which along with findings from the audit by the GIAA is informing current decision making on governance. In addition to this, further changes to the governance structure are planned with the arrival of a new Permanent Secretary.

9.15 In general, the Executive Board has run efficiently. It met four times in the reporting period and has been well attended throughout this time. Papers and minutes have been of high quality, and the secretariat has circulated both in good time. The data in the papers has been accurate, and any unconsolidated figures have been clearly identified. Data presented was cross-checked with relevant parties and the teams conducted assurance examinations to ensure the data sources were reliable and accurate. The Board continued to oversee the strategic management of the Department. It has continued to be supported by the Operations Committee, which regularly feeds into important items and issues.

9.16 As a result of the internal review, a number of changes have been made to the formal governance structure in the reporting period. Having fulfilled its purpose of setting up the security parameters of the Department, as of summer 2018 the Security Committee's remit was rolled into the Operations Committee. The Operations Committee has been regularly provided with security updates to ensure security issues are still considered.

9.17 The Board Secretariat and the supporting team have regularly met to discuss the continued process of improvement in terms of the running of the departmental governance structure. These meetings have taken

place in the context of the shifting priorities of the Department over the course of the reporting period, and have ensured that the secretariat has been able to maintain a stable decision making environment.

#### *Cross-Whitehall governance*

9.18 The process of overseeing the UK’s exit from the EU has involved the whole of Government. The Department serves as a coordinating body for policy implementation relating to EU Exit and has established a network of governance arrangements that allow it to interact extensively with departments across government, as well as engaging with CO-owned bodies. These arrangements have developed and adapted to accommodate the progress of preparations for exiting the EU.

9.19 DExEU has in turn been supported by OGDs. This has been in the form of expertise, accommodation and staffing assistance.

#### *Risk management*

9.20 Risk management is an important part of DExEU’s corporate governance. The Department aims to ensure its internal processes for identifying, assessing and managing risk are simple, proportionate and effective. The categories of risk that the Department usually faces are outlined in the table below. The category of risk identified often determines the way the risk is handled, including the route through which the risk is escalated (described in more detail below):

<b>Risk Category</b>	<b>Description</b>
Policy and negotiation	Risks that threaten to disrupt, delay or prevent DExEU from implementing and/or coordinating the legislation, policy and regulatory arrangements necessary for exiting the EU, and/or undermine DExEU’s ability to negotiate an effective exit from the EU.
Financial	Risks that threaten DExEU’s regularity, propriety, value for money, financial position or financial performance.
People	Risks relating to DExEU’s ability to recruit, retain and support staff. This also includes risks that affect DExEU staff health and wellbeing.
Operational	Risks that affect DExEU’s performance, infrastructure (IT, assets, facilities, estates), reporting, compliance, internal processes and ways of working.
Security	Risks that compromise DExEU’s 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*

9.21 DExEU is organised into a number of Directorates. Each Directorate has its own risk management arrangements. The senior management teams of each Directorate are required to regularly review their risks and issues as part of the reporting process through the corporate governance, primarily via the Operations Committee and the Executive Board.

9.22 During the reporting period, policy and negotiation risks were not managed and escalated in the same way as operational risks, but the Department’s policy-oriented boards (such as Policy Board) provided a forum in which issues for discussion and decision were raised.

#### *Departmental risks*

9.23 There is departmental guidance on the identification, assessment, mitigation and escalation of risk. During the reporting period, DExEU maintained a register of its strategic operational risks. This register was regularly reviewed, primarily by the Operations Committee and, if necessary, the Executive Board and ARAC.

9.24 Through this risk management process, a number of key operational risks were identified and subsequently reported and action taken to reduce risk likelihood and impact, where possible. Some of the key risks identified were recruitment and retention of staff, quality of management information, the effectiveness of financial and HR system processes and improving information management systems.

9.25 Over the reporting period, the format in which the Departmental operational risks were reported to the Operations Committee was improved. The risks were presented in a Performance and Risk pack which combines key risks with performance data from the previous month. The new pack was well-received as it provided the information in a clearer format, where the links between the risks and project delivery were visible.

#### *Accountability*

9.26 As Permanent Secretary, I have been appointed by HMT 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.

9.27 I became the Department's Accounting Officer on 1 April 2019. In order to be confident in the systems of internal control prior to my appointment, I have received assurance from the previous Accounting Officer. Through this I have been satisfied that, during the year, governance structures and processes appropriate to the Department's operating context were in place, and that the Department's resources were used for the purposes intended by Parliament.

9.28 Alongside the governance arrangements set out above, Ministers had thorough communications with my predecessor to support good governance within the Department through parliamentary accountability.

9.29 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 Ministerial Code.

9.30 No ministerial directions were made during 2018-19.

#### *Corporate Governance Code*

9.31 The 'Corporate Governance in Central Government Departments: Code of Good Practice' (the 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 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 the Corporate Centre.

9.32 Departments are expected to apply the principles of the 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. DExEU has adhered to the Code with the exception of having a Departmental Board: DExEU has not had a Departmental Board since its creation, however, the previous Permanent Secretary ensured the functions of a Departmental Board were taken up by the Executive Board (on which the Non-Executive Board Members sit) and its supporting committees, alongside regular sessions between DExEU Ministers and the senior leadership team to direct the Department on policy. This included providing leadership for the Department's business and advising on five key areas: strategic clarity; commercial sense; talented people; results focus; and management information.

9.33 The role of the 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. In its absence, the functions of this Committee have been undertaken by the Executive Board in respect of developing leadership and potential and scrutinising the incentive structure, and by ARAC in respect of the scrutiny of the departmental corporate governance arrangements that are in place within DExEU. There were also two Talent and Workforce sub-committees, reporting to the Operations Committee, which regularly review the approach being taken to develop leadership skills.

#### *Security & Operations*

9.34 At the time of the Department's formation, a Security Committee was established in order to ensure there was sufficient oversight of the establishment of departmental security structures. In summer 2018, the decision was taken to disband the Security Committee, as it was found to have served its function of overseeing the effective establishment of security systems. Security issues were managed and discussed for the remainder of the reporting period by the Operations Committee, which received regular updates on security performance and issues.

9.35 During the course of the reporting period, the Department has been unable to account for a total of eight laptops and fifteen mobile phones due to theft or loss. As a consequence, the Department is improving its monitoring and controls around devices. All devices that are lost or stolen have access to departmental systems removed remotely and the Department enforces the responsibility of staff to protect devices during the security inductions for all new starters. Additionally, DExEU operates a security breach policy that investigates losses and holds staff to account when appropriate to do so.

#### *Departmental Structure*

9.36 Delivery of the Department's objectives has depended on it being organised in a manner that complements the need for flexibility, efficiency and resilience, whilst also ensuring that the Accounting Officer is able to effectively discharge their responsibilities. At the start of the reporting year there were three Director Generals, two overseeing different aspects of policy and engagement on leaving the EU and one overseeing the domestic implications of EU Exit – with corporate and strategy functions reporting directly to the Permanent Secretary<sup>12</sup>. The Department's directorate structure has remained stable over the reporting year with the exception of transfer of function as per the MoG as explained in Note 1.4 on page 54.

9.37 DExEU uses HR, payroll and finance systems provided by the CO and the Department continues to use this arrangement to ensure financial records are maintained and staff are remunerated. DExEU will continue to work with its counterparts in the CO to facilitate the ongoing effective operation of this arrangement.

9.38 To ensure the Department's ability to effectively manage its objectives, the DExEU leadership team adopted a flexible approach to 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 skill requirements are continuously met.

#### *Parliamentary engagement*

9.39 As set out in paragraph 5.21 on page 9, the Department has continued to ensure that Parliament has been fully engaged on our work.

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<sup>12</sup> For the Department's full directorate structure see DExEU's organogram: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/791763/External\\_DEXEU\\_STRUCTURE\\_2019-04-01\\_April.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791763/External_DEXEU_STRUCTURE_2019-04-01_April.pdf)

### *Independent scrutiny*

9.40 The Department's internal audit function is provided by GIAA, which operates to Public Sector Internal Audit Standards. The programme of work conducted by GIAA during the reporting period covered the operational activities of the organisation. The GIAA gave DExEU a 'moderate' internal audit opinion for the 2018-19 financial year. While this opinion remains unchanged from 2017/18, there is evidence that the Department has continued throughout the year to make improvements to the governance, risk management and control environment. There remain some areas in which processes need to mature further, which will be monitored in the next reporting period.

9.41 The Department's external audit function is provided on behalf of Parliament by the C&AG, supported by staff from the NAO. NAO representatives see all ARAC papers and attend its meetings.

9.42 There have been no NAO publications on DExEU in the reporting period. However, the NAO have published a number of other reports on individual departments and functions which provide information on the role of the Department and EU Exit across government. For more details, see the Public Accounts Committee<sup>13</sup> and the NAO online<sup>14</sup>. DExEU will continue to work closely with the NAO and Public Accounts Committee in respect of matters relating to EU Exit, within DExEU and across government.

### *Conclusions*

9.43 After review of all information that has been presented over the course of the year, I am confident that DExEU has established and maintained a system of internal control that meets the requirements of the Department. The opinion that has been provided by GIAA based on the work that has been conducted has been noted and we will work to ensure that the system of internal control continues to improve and evolve with the Department.

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<sup>13</sup> <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/>

<sup>14</sup> <https://www.nao.org.uk/>

## 10 Remuneration and Staff Report

### Remuneration Report

#### Remuneration policy

10.1 The remuneration of SCS 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 recommendations<sup>15</sup>.

#### 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<sup>16</sup>.

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.

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

10.5 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.

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<sup>15</sup> Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

<sup>16</sup> Further information about the work of the Civil Service Commissioner can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

*Single total figure of remuneration for Ministers (subject to audit)*

The following table reports the single figure of remuneration for current Ministers:

Ministers - in post at 31 March 2019	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000)		Total (to nearest £1000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Stephen Barclay <sup>1,2</sup> Secretary of State From 16 November 2018	23,994	-	-	-	6,000	-	30,000	-
Robin Walker MP	22,375	22,375	-	-	6,000	6,000	28,000	28,000
Lord Callanan	115,257	49,573	-	-	19,000	11,000	134,000	61,000
Christopher Heaton-Harris <sup>3,4</sup> From 9 July 2018	15,192	-	-	-	4,000	-	19,000	-
Kwasi Kwarteng <sup>3</sup> From 16 November 2018	8,391	-	-	-	3,000	-	11,000	-

<sup>[1]</sup> Full time equivalent (FTE) £67,505

<sup>[2]</sup> Stephen Barclay was transferred on 16 November but his former department have paid £1,320 of his salary for that month

<sup>[3]</sup> FTE £22,375

<sup>[4]</sup> Christopher Heaton-Harris was transferred on 9 July but his former department have paid £1,108 of his salary for that month

The following table reports the single figure of remuneration for other Ministers during the year:

Ministers - previously in post during 2018-19	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000)		Total (to nearest £1000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Rt Hon David Davis MP <sup>5</sup> Secretary of State To 8 July 2018	18,328	67,505	-	-	3,000	30,000	21,000	98,000
Dominic Raab <sup>5,6,7</sup> Secretary of State From 9 July 2018 to 15 November 2018	38,780	-	-	-	-	-	39,000	-
Steve Baker MP <sup>8</sup> To 8 July 2018	11,669	17,890	-	-	1,000	5,000	13,000	23,000
Suella Braverman MP <sup>8</sup> To 15 November 2018	19,578	5,052	-	-	3,000	1,000	23,000	6,000

<sup>[5]</sup> FTE £67,505

<sup>[6]</sup> Opted out of the PCPF Ministerial scheme so no pension benefit to report

<sup>[7]</sup> Dominic Raab was transferred on the 9 July but his former department have paid £1,959 of his salary for that month

<sup>[8]</sup> FTE £22,375

### Single total figure of remuneration for officials (subject to audit)

The following table reports the single figure of remuneration for current Board officials:

Board officials - in post at 31 March 2019	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) <sup>1</sup>		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Philip Rycroft Permanent Secretary	160-165	160-165	-	-	17,900	15,300	46,000	38,000	225-230	210-215
Alex Ellis Director General	120-125	120-125	-	-	-	-	35,000	73,000	155-160	190-195
Helen Mills Director, Corporate Centre	100-105	95-100	-	5-10	250	-	73,000	62,000	175-180	165-170
Matthew Baugh Director, Negotiation Coordination Unit	95-100	90-95	-	-	-	-	92,000	62,000	190-195	110-115
Susannah Storey <sup>2</sup> Director General	100-105	95-100	10-15	-	-	-	44,000	39,000	160-165	130-135

<sup>1</sup> The value of pension benefits accrued during the year is calculated as [(the real increase in pension multiplied by 20) plus (the real increase in any lump sum)] less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

<sup>2</sup> FTE £130-£135k

The following table reports the single figure of remuneration for other officials who were on the Board during the year:

Board officials - previously in post during 2018-19	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) <sup>1</sup>		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Simon Case <sup>3</sup> Director General To 30 June 2018	30-35	20-25	-	-	-	-	22,000	6,000	50-55	30-35
Sarah Healey <sup>4</sup> Director General To 23 July 2018	35-40	115-120	10-15	-	-	-	14,000	36,000	60-65	150-155
Richard Ney <sup>5,6</sup> Director, Corporate Centre To 27 January 2019	85-90	100-105	-	5-10	-	-	67,000	82,000	150-155	190-195

<sup>3</sup> FTE £120-£125k

<sup>4</sup> FTE £115-£120k

<sup>5</sup> FTE £105-£110k

<sup>6</sup> 2017-18 Single total figure of remuneration changed due to retrospective update to earnings

### Non-Executive Board Members (subject to audit)

10.6 Margaret Stephens, Chair of ARAC and Non-Executive Director, received remuneration of £20,000. (£15,000 as Non-Executive Board Member and £5,000 as Chair of ARAC) (2017-18 £19,000).

10.7 Susan Hooper, Non-Executive Board Member, received remuneration of £15,000 (2017-18 £14,000).

### Salary

10.8 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.

10.9 In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018, £76,011 from 1 April 2017) and various allowances to which they are entitled are borne centrally.

10.10 However, 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, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

### Benefits in kind (subject to audit)

10.11 The monetary value of benefits in kind covers any benefits provided by the Department and treated by HMRC as a taxable emolument.

10.12 The Permanent Secretary Philip Rycroft's home to work travel costs were paid as a benefit in kind and the Department met the costs of the additional tax in this respect. The total amount of grossed up benefit in kind payable was £17,878 (2017-18 £15,274).

### Bonuses

10.13 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to prior year performance and are agreed as part of the following year's pay remit. The bonuses reported in 2018-19 relate to performance in 2017-18. Bonuses reported in 2017-18 relate to performance in 2016-17.

### 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:

	Ratio of top to median staff pay as at 31 March 2019	Ratio of top to median staff pay as at 31 March 2018 restated
Remuneration band of highest paid Director	£180,000 - £185,000	£175,000 - £180,000
Median total remuneration	£43,844	£35,428
Ratio	4.2	5.1

10.15 The reason for the move in ratio is due to the fall in the percentage ratio of band B1 in 2018-19 (11%) from 2017-18 (14%). The highest paid Director is the Permanent Secretary.

10.16 Remuneration includes all permanent staff, secondees and Fast Stream staff employed at 31 March 2019.

10.17 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)

The following table reports the value of pension benefits for current Ministers:

Ministers - in post at 31 March 2019 £'000	Accrued pension at age 65 as at 31/3/19	Real increase in pension at age 65	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
Stephen Barclay Secretary of State From 16 November 2018	0-5	0-2.5	22	17	2
Robin Walker MP	0-5	0-2.5	11	7	1
Lord Callanan	0-5	0-2.5	39	17	12
Christopher Heaton-Harris From 9 July 2018	0-5	0-2.5	12	8	2
Kwasi Kwarteng From 16 November 2018	0-5	0-2.5	2	0	1

The following table reports the value of pension benefits for other Ministers during the year:

Ministers - previously in post during 2018-19 £'000	Accrued pension at age 65 as at 31/3/19	Real increase in pension at age 65	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
Rt Hon David Davis MP Secretary of State To 8 July 2018	5-10	0-2.5	165	157	5
Dominic Raab <sup>1</sup> Secretary of State From 9 July 2018 to 15 November 2018	-	-	-	-	-
Steve Baker MP To 8 July 2018	0-5	0-2.5	5	4	1
Suella Braverman MP To 15 November 2018	0-5	0-2.5	3	1	1

<sup>1</sup>Opted out of the PCPF Ministerial scheme so no pension accrual to report

10.18 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' Pension Scheme 2015<sup>17</sup>.

10.19 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 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

10.20 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.

10.21 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

10.22 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

<sup>17</sup> Available at <https://www.mypcpfpension.co.uk/docs/librariesprovider4/care-docs/Ministers/pcpf-Ministerial-scheme-final-rules-2014-12-17.pdf?sfvrsn=6>

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*

10.23 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*

10.24 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: three 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.

10.25 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<sup>18</sup>. 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).

10.26 Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 initial 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

10.27 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic

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<sup>18</sup> 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.

contribution of between 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

10.28 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 highest of 65 or State Pension Age for members of alpha<sup>19,20</sup>.

*Officials' pension benefits (subject to audit)*

The following table reports the value of pension benefits for current Board officials:

Board Officials - in post at 31 March 2019 £'000	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
Philip Rycroft Permanent Secretary	15-20	2.5-5	362	275	46
Alex Ellis Director General	55-60	0-2.5	970	839	15
Helen Mills <sup>1</sup> Director, Corporate Centre	20-25	2.5-5	238	165	34
Matthew Baugh <sup>2</sup> Director, Negotiation Coordination Unit	25-30 plus a lump sum of 60-65	2.5-5 plus a lump sum of 5-7.5	440	326	59
Susannah Storey Director General	20-25	2.5-5	288	226	20

<sup>1</sup> CETV at 31/03/18 updated from 166 due to retrospective update to earnings

<sup>2</sup> CETV at 31/03/18 updated from 301 due to retrospective update to earnings

The following table reports the value of pension benefits for other officials who were on the Board during the year:

Board officials - previously in post during 2018-19 £'000	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
Simon Case Director General To 30 June 2018	30 - 35	0 - 2.5	323	310	9
Sarah Healey Director General To 23 July 2018	25 - 30 plus a lump sum of 45 - 50	0 - 2.5 plus a lump sum of 0	332	312	5
Richard Ney <sup>3</sup> Director, Corporate Centre To 27 January 2019	20-25	2.5-5	266	191	34

<sup>3</sup> CETV at 31/03/18 updated from 190 due to retrospective update to earnings

<sup>19</sup> 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, but note that part of that pension may be payable from different ages.

<sup>20</sup> Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

#### *The Cash Equivalent Transfer Value (CETV) for officials*

10.29 A Cash Equivalent Transfer Value (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 benefits 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 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.

## Remuneration and Staff Report

### Staff numbers and related costs (subject to audit)

#### Staff costs

£'000	Permanently employed staff	Others	Ministers	Special Advisors	2018-19	2017-18 restated
Wages and salaries	32,705	-	274	219	33,198	23,100
Social security costs	4,151	-	-	27	4,178	2,738
Other pension costs	6,774	-	-	35	6,809	4,737
Agency staff costs	-	3,112	-	-	3,112	1,447
<b>Sub total</b>	<b>43,630</b>	<b>3,112</b>	<b>274</b>	<b>281</b>	<b>47,297</b>	<b>32,022</b>
Inward secondments	1,560	-	-	-	1,560	910
<b>Total staff costs</b>	<b>45,190</b>	<b>3,112</b>	<b>274</b>	<b>281</b>	<b>48,857</b>	<b>32,932</b>

10.32 The average number of whole-time equivalent persons employed during the year are shown in the table below:

	Permanently employed staff	Others	Ministers	Special Advisors	2018-19	2017-18 restated
Total FTE	695	18	5	2	720	528
<b>Total</b>	<b>695</b>	<b>18</b>	<b>5</b>	<b>2</b>	<b>720</b>	<b>528</b>

The FTE is calculated based on the average headcount in each month from April 2018 to March 2019, and apportioned for staff who work part-time.

10.33 The Department's headcount of 739 reflects the total number of staff in post on 31 March 2019 (630 at 31 March 2018). This does not include 15 members of staff who left the Department on 31 March 2018, nor the Department's five Ministers and two Special Advisors (SpAds).

#### Employer Contributions

10.34 The PCSPS and CSOPS are unfunded multi-employer defined benefit schemes but DExEU is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the CO: Civil Superannuation<sup>21</sup>.

10.35 For 2018-19, employers' contributions of £6,629,961.33 (2017-18 £4,852,211.72) 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 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

10.36 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £138,535.82 (2017-18 £33,540.10) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged

<sup>21</sup> <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

from 8% to 14.75%.

10.37 Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,548.19 (2017-18 £1,370.19), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

10.38 Contributions due to the partnership pension providers at the accounting date were £1,752.27. Contributions prepaid at that date was £0.

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

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

#### Officials

10.40 The Department did not incur any early departure costs in respect of officials in 2018-19 (2017-18 £0).

#### Ministers

10.41 Dominic Raab left under severance terms on 15 November 2018. He received a compensation payment of £16,876.00.

10.42 Steven Baker left under severance terms on 8 July 2018. He received a compensation payment of £5,594.00.

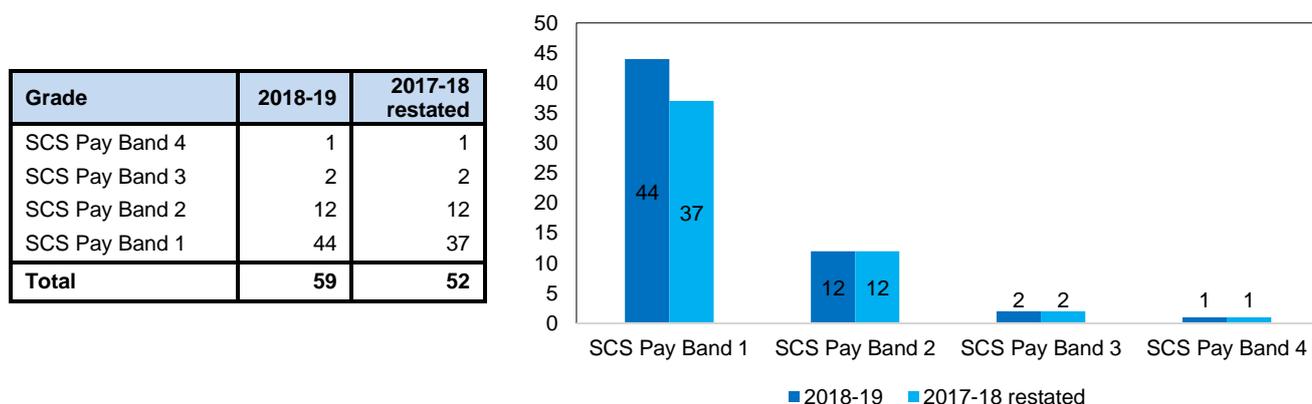
10.43 Suella Braverman left under severance terms on 15 November 2018. She received a compensation payment of £5,594.00

#### Special Advisors

10.44 The total amount of severance paid to 4 SpAds in 2018-19 was £60,500.

#### Senior Civil Servants

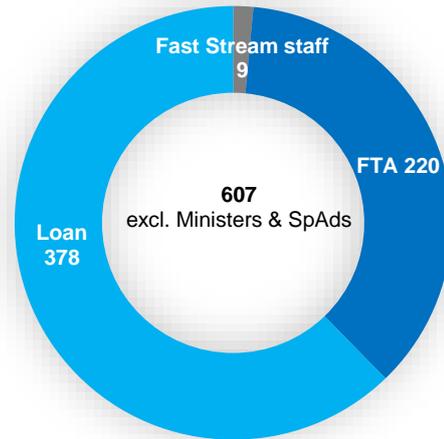
10.45 The chart below shows the number of SCS employed by DExEU as at 31 March.



#### Our Workforce

10.46 During 2018-19, DExEU's headcount grew from 630 as at 31 March 2018 to 739 as at 31 March 2019. Of this number, 607 staff were recorded on the Department's HR and payroll systems comprised as follows:

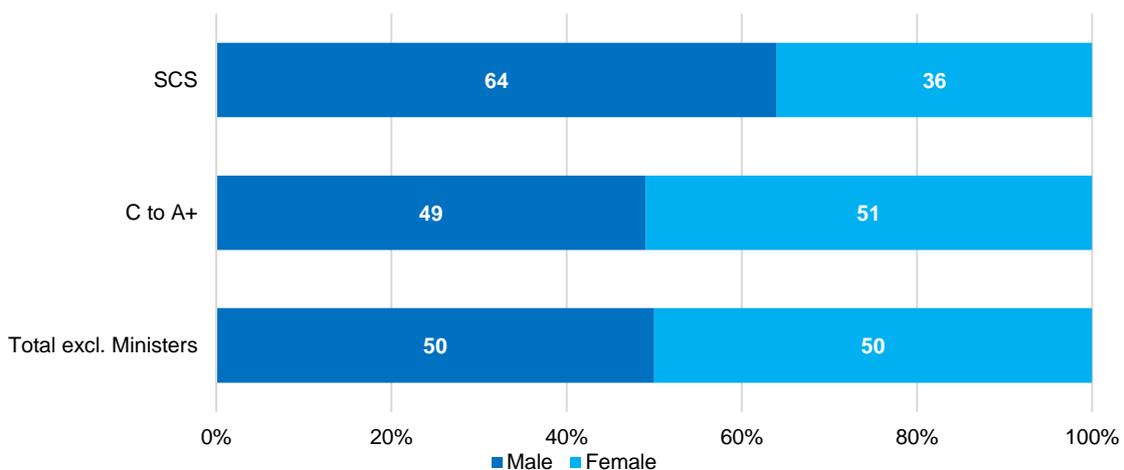
Contract Type	Headcount
Fast Stream staff	9
OGD loans	378
Fixed-term appointments	220
<b>Total (excluding Ministers &amp; SpAds)</b>	<b>607</b>



10.47 The remaining staff are recorded by other means associated with the type of contract held. Secondees are paid by their employer and for whom DExEU will reimburse the associated costs. Fast Stream staff are paid centrally by the CO and recharged to DExEU. Staff who are on loan from OGDs will continue to be paid by their home department until brought onto DExEU's payroll. Fixed-term appointments are permanent staff on fixed-term agreements.

10.48 The FRoM requires specific disclosure in the Remuneration and Staff Report on sickness absence data and gender breakdown. Out of the 607 staff who are recorded on the Department's HR and payroll systems, the split of gender is as follows:

Gender Split	Female		Male	
	Actuals	%	Actuals	%
SCS	20	36%	36	64%
Delegated	283	51%	268	49%
<b>Total (excluding Ministers)</b>	<b>303</b>	<b>50%</b>	<b>304</b>	<b>50%</b>
Ministers	0	0%	5	100%
<b>Total (including Ministers)</b>	<b>303</b>	<b>49%</b>	<b>309</b>	<b>51%</b>



10.49 The Department had a sickness absence figure of 0.81 working days lost on average (2017-18 1.03), per member of staff on HR and payroll systems for period 1 April 2018 - 31 March 2019.

*Employment, training and advancement of disabled persons*

10.50 Upon creation, the Department adopted the policies of the CO 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 recognised trade unions.

10.51 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, of which recruiting managers are reminded. The Department uses the Disability Confident Leader (DCL) Symbol, using inclusive recruitment practices to attract talent and encourage candidates with a disability to apply for the jobs it advertises. Wherever practicable the Department, under the DCL scheme, offers an interview to all applicants who have applied under the scheme and who provide evidence of meeting the minimum requirements necessary for the post.

10.52 In 2018 DExEU implemented the success profile framework, a new approach to Civil Service recruitment designed to deliver a modern, fairer and more inclusive approach to selection, using a combination of selection tools to effectively target the required skills and attributes.

10.53 DExEU has launched its diversity and inclusion strategy with the aim of creating an inclusive environment with a diverse workforce reflective of the community we serve and where everyone feels valued as an individual. The high level details of the strategy are contained below:

<b>Vision</b>	For DExEU to be an inclusive organisation with a diverse workforce reflective of the communities we serve.		
<b>Mission</b>	To create an inclusive and diverse environment through embedding D&I in all processes and procedures and creating a culture where everyone can bring their whole selves to work, feel valued as an individual and able to develop and reach their potential.		
<b>Objectives</b>	<b>Attract</b> For our workforce to be representative of the communities we serve.	<b>Include</b> To be the most inclusive employer where people can bring their whole self to work.	<b>Develop</b> Where everyone feels valued as an individual, is able to thrive, develop and promote progression.
<b>Aim</b>	<ul style="list-style-type: none"> <li>We will continue to ensure that our recruitment practices are fair and transparent through our selection processes.</li> <li>We will continue to ensure we attract and increase our representation of under-represented staff at all levels.</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to promote work-life balance and improve support on mental health for all staff through programmes, training and staff networks.</li> <li>We will continue to promote positive behaviours and build an inclusive culture where everyone can bring their whole selves to work.</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to invest in and develop all staff through internal and external development programmes.</li> <li>We will continue to support diversity at every level – not just for our new entrants but for individuals in mid-career and at leadership level too.</li> </ul>

10.54 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;
- working with management, unions and staff to implement the best ideas from around (and outside) government, learning from what has worked well and what has 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.

10.55 DExEU’s Equality Network and HR teams have also been proactive in raising awareness of mental health, as well as physical disabilities. DExEU has developed a mental health action plan which was produced

as part of the Department's activity in signing the Time to Change pledge. DExEU has been granted a silver award in the MIND index. The Department has 23 trained mental health first aiders and the Mental Health Network has run a number of sessions such as bringing in a mental health nurse for drop-in discussions for anyone who would like one. To continue to build line managers' skills and confidence a number of in-house and external training packages are made available (e.g. MIND's 'managing mental health at work').

10.56 DExEU takes due consideration for any requests for reasonable adjustments and makes every effort to ensure identified needs are met.

10.57 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 Band A+ and Band A) and the Senior Leaders Scheme (aimed at staff in SCS pay band 1). It also promotes development schemes aimed specifically at disabled staff, including the Accelerate Talent Programme (for SCS) and the Positive Action Pathway (for staff below the senior Civil Service).

#### Short term loans of staff within the Civil Service

10.58 The tables below set out information on DExEU staff that have been loaned to OGDs to work on EU Exit-related initiatives during 2018-19<sup>22</sup>:

##### Staff loaned from DExEU (six months or less)

Grade	No. of staff	Cost (£'000)	Average duration (Months)
B1	-	-	-
B2	5	83	4.28
Band A	8	203	4.38
Band A+	1	27	4.9
SCS1	-	-	-
SCS2	-	-	-
SCS3	-	-	-
<b>Total</b>	<b>14</b>	<b>313</b>	<b>4.52</b>

##### Staff loaned from DExEU (six months to one year)

Grade	No. of staff	Cost (£'000)	Average duration (Months)
B1	-	-	-
B2	-	-	-
Band A	-	-	-
Band A+	1	43	6.15
SCS1	-	-	-
SCS2	-	-	-
SCS3	-	-	-
<b>Total</b>	<b>1</b>	<b>43</b>	<b>6.15</b>

10.59 The tables below set out information on OGD staff loaned to DExEU to work on departmental initiatives<sup>23</sup>:

##### Staff loaned to DExEU (six months or less)

Grade	No. of staff	Cost (£'000)	Average duration (Months)
B1	15	103	1.62
B2	10	120	3.69
Band A	18	215	1.83
Band A+	4	14	0.39
SCS1	1	37	2.01
SCS2	2	11	0.44
SCS3	-	-	-
<b>Total</b>	<b>50</b>	<b>500</b>	<b>1.66</b>

##### Staff loaned to DExEU (six months to one year)

Grade	No. of staff	Cost (£'000)	Average duration (Months)
B1	3	78	6.87
B2	2	82	6.64
Band A	-	-	-
Band A+	-	-	-
SCS1	-	-	-
SCS2	-	-	-
SCS3	-	-	-
<b>Total</b>	<b>5</b>	<b>160</b>	<b>6.76</b>

<sup>22</sup> These staff remained on DExEU headcount during the financial year.

<sup>23</sup> These staff members were not part of DExEU's headcount for the financial year.

*Expenditure on consultancy and contingent labour*

10.60 The table below sets out the Department's expenditure on temporary staff and consultancy:

£'000	2018-19	2017-18
Cost of consultancy	5,851	3,377
Cost of contingent labour	3,112	1,447

10.61 The Department utilises contingent labour to fill vacancies on a temporary basis. Consultancy services have also been used from a number of firms. Consultancy services are used to source flexible labour to support particularly short term roles and projects that demand speciality knowledge and skills and demand fluctuates in line with the work of the Department. Whilst costs for both contingent labour and consultancy have increased since 2017-18, as detailed in the SoPS variances against Estimate review, the Department is reporting an under-spend against budget.

*Reporting of off-payroll appointments*

10.62 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.

10.63 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.

*For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than 6 months*

Total no. of existing engagements as of 31 March 2019	2
Of which...	
No. that have existed for less than one year at time of reporting.	2
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	0

*For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months*

No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	10
Of which	
No. assessed as caught by IR35	9
No. assessed as not caught by IR35	1
Of which...	
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year	0
No. of engagements that saw a change to IR35 status following the consistency review	0

*For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019*

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements	8

*Trade union facility time*

10.64 Under new regulations, departments with in excess of 49 employees are required to report on trade union facility time. This is reflected in the table below:

	2018-19	2017-18
Number of employees who were relevant union officials during the relevant period	1	1
<b>Percentage of time spent on trade union activities</b>	<b>Number of employees</b>	<b>Number of employees</b>
0%	0	0
1-50%	1	1
51-99%	0	0
100%	0	0
<b>Percentage of pay bill spent on facility time</b>		
Total cost of facility time (£)	1,114	1,891
Total pay bill (£)	48,857,000	33,872,000
Percentage of the total pay bill	0.00%	0.01%
<b>Paid trade union activities</b>		
Time spent on paid trade union activities as a percentage of total paid facility time hours	0.00	0.00

## Parliamentary Accountability and Audit Report

### Accountability and Audit Report

#### 11 Statement of Parliamentary Supply (subject to audit)

##### Summary of Resource and Capital Outturn 2018-19

£'000	Note	2018-19 Estimate			2018-19 Outturn			2018-19 Voted Outturn compared with Estimate	2017-18 restated Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Saving/(excess)	Net Total
<b>Spending in DEL</b>									
Resource	SoPS 1.1	90,568	-	90,568	79,378	-	79,378	11,190	55,752
Capital	SoPS 1.2	730	-	730	438	-	438	292	555
<b>Spending in AME</b>									
Resource	SoPS 1.1	3,000	-	3,000	(114)	-	(114)	3,114	114
<b>Total</b>		<b>94,298</b>	<b>-</b>	<b>94,298</b>	<b>79,702</b>	<b>-</b>	<b>79,702</b>	<b>14,596</b>	<b>56,421</b>
Total resource	SoPS 1.1	93,568	-	93,568	79,264	-	79,264	14,304	55,866
Total capital	SoPS 1.2	730	-	730	438	-	438	292	555
<b>Total</b>		<b>94,298</b>	<b>-</b>	<b>94,298</b>	<b>79,702</b>	<b>-</b>	<b>79,702</b>	<b>14,596</b>	<b>56,421</b>

##### Net Cash Requirement 2018-19

£'000	Note	2018-19 Estimate	2018 -19 Outturn	2018-19 Outturn compared with Estimate: saving/ (excess)	2017-18 restated Outturn
Net cash requirement	SoPS 3	90,848	88,854	1,994	38,656

##### Administration Costs 2018-19

£'000	2018-19 Estimate	2018 -19 Outturn	2018-19 Outturn compared with Estimate: saving/ (excess)	2017-18 restated Outturn
Administration costs	90,568	79,378	11,190	55,752

2017-18 has been restated to take account of the MoG transfer of functions from DEXEU to the CO. See Note 13 on page 61 for further details.

## Notes to the Statement of Parliamentary Supply

### SoPS 1 Net outturn

#### SoPS 1.1. Analysis of net resource outturn by section

£'000	2018-19 Outturn			2018-19 Estimate		2017-18 restated Outturn
	Gross	Income	Net Total	Net Total	Net total compared to Estimate	Net Total
<b>Spending in DEL</b>						
Voted expenditure						
A - Exiting the European Union	79,378	-	79,378	90,568	11,190	55,752
<b>Total voted expenditure in DEL</b>	<b>79,378</b>	<b>-</b>	<b>79,378</b>	<b>90,568</b>	<b>11,190</b>	<b>55,752</b>
<b>Spending in AME</b>						
A - Exiting the European Union	(114)	-	(114)	3,000	3,114	114
<b>Total voted expenditure in AME</b>	<b>(114)</b>	<b>-</b>	<b>(114)</b>	<b>3,000</b>	<b>3,114</b>	<b>114</b>
<b>Total resource</b>	<b>79,264</b>	<b>-</b>	<b>79,264</b>	<b>93,568</b>	<b>14,304</b>	<b>55,866</b>

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

#### SoPS 1.2. Analysis of net capital outturn by section

£'000	2018-19 Outturn			2018-19 Estimate		2017-18 restated Outturn
	Gross	Income	Net Total	Net Total	Outturn compared with Estimate: saving/ (excess)	Net Total
<b>Spending in DEL</b>						
Voted Expenditure						
A - Exiting the European Union	444	(6)	438	730	292	555
<b>Total capital</b>	<b>444</b>	<b>(6)</b>	<b>438</b>	<b>730</b>	<b>292</b>	<b>555</b>

#### 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	2018-19 Estimate	2018-19 Outturn	2018-19 Net total outturn compared with Estimate: saving/ (excess)
<b>Resource outturn</b>	<b>93,568</b>	<b>79,264</b>	<b>14,304</b>
<b>Capital outturn</b>	<b>730</b>	<b>438</b>	<b>292</b>
<b>Accruals to cash adjustments</b>	<b>(3,450)</b>	<b>9,152</b>	<b>(12,602)</b>
<i>of which:</i>			
Depreciation	(450)	(364)	(86)
Notional auditors' fee	-	(106)	106
New provisions and adjustments to previous provisions	(3,000)	114	(3,114)
<i>Adjustments to reflect movements in working balances:</i>			
Increase/(decrease) in receivables	-	1,043	(1,043)
(Increase)/decrease in payables	-	17,219	(17,219)
Movement in amounts drawn down but not used from Consolidated Fund	-	(8,754)	8,754
<b>Net cash requirement</b>	<b>90,848</b>	<b>88,854</b>	<b>1,994</b>

### 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.

## 12 Other Notes on Parliamentary Accountability

### Regularity of Expenditure (subject to audit)

#### *Losses and special payments*

When the cumulative value exceeds £300k, HMT's MPM and the FReM require a statement showing losses and special payments by value and by type. Where cases individually exceed £300k, details of those cases must be disclosed. DExEU did not incur any losses or special payments during the period which required reporting under the current disclosure requirements.

#### *Gifts*

MPM states that annual accounts should include a note on gifts made by departments if their total value exceeds £300k. Gifts with a value of more than £300k should be noted individually. During 2018-19, 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 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the Government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

Any subsequent changes in legislation, regulation and funding arrangements will be 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 in this respect.

At the end the 2018-19 financial year, the UK remains a full member of the EU with all the rights and obligations arising from membership.

### Financial Overview

#### *Significant variances against Estimate*

The Department is reporting an under-spend of £11.2m against its £90.6m Resource DEL budget. The Resource DEL budget was set at a level that provided flexibility for the Department and to ensure that it had the required capability to deliver its objectives. Budgets were managed in a way that ensured the Department could achieve this; monitoring spend and retaining underspend centrally for instances where funds needed to be targeted elsewhere.

The most significant area of underspend was in professional services. By ensuring the Department had the necessary sources of expertise internally, with the Department's planned increase in headcount during the period, there was a significant underspend on the professional services budget originally set.

Further to its Resource DEL budget, the Department is returning an underspend of £3.1m against its AME budget. Cover was sought and provided in the event the Department incurred provisions for dilapidation and legal costs but no such events had crystallised.

*Common Core Tables – Departmental Expenditure Outturn and Plans*

The table below shows the Department's outturn for 2018-19, along historic outturn for the current SR period. No planned expenditure, beyond 2019-20, is included in the table below as the forthcoming SR has not yet been completed.

The outturn data is recorded in accordance with HMT's budgeting system as set out each year in HMT's Consolidated Budgeting Guidance. Departments have separate budgets for different types of spend. The resource budget covers day-to-day expenditure such as pay and procurement. Capital budget covers expenditure on assets whilst the AME budget covers provisions.

Additional information on the Department's Estimate is available online<sup>24</sup>.

*Current and future departmental spending*

£'000	2016-17 Outturn	2017-18 restated Outturn	2018-19 Outturn	2019-20 Plans	2020-21 Plans
A - Exiting the European Union	24,246	55,752	79,378	93,800	-
<b>Total spending in resource DEL</b>	<b>24,246</b>	<b>55,752</b>	<b>79,378</b>	<b>93,800</b>	-
A - Exiting the European Union	-	114	(114)	500	-
<b>Total spending in AME</b>	-	<b>114</b>	<b>(114)</b>	<b>500</b>	-
<b>Total resource expenditure</b>	<b>24,246</b>	<b>55,866</b>	<b>79,264</b>	<b>94,300</b>	-
A - Exiting the European Union	502	555	438	100	-
<b>Total capital expenditure</b>	<b>502</b>	<b>555</b>	<b>438</b>	<b>100</b>	-
<b>Total expenditure - Outturn/Plans</b>	<b>24,748</b>	<b>56,421</b>	<b>79,702</b>	<b>94,400</b>	-

Note that all Resource Expenditure is defined as Administration Expenditure.

**Clare Moriarty**  
**Permanent Secretary and Accounting Officer**  
 Department for Exiting the European Union

**8 July 2019**

<sup>24</sup> <https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/DExEU%20Memorandum%20on%20the%20Main%20Estimate%202019-20.pdf>

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

### Opinion on financial statements

I certify that I have audited the financial statements of the Department for Exiting the European Union for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. 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 Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of the Department's net operating expenditure 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 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 2019 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Department for Exiting the European Union in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department for Exiting the European Union's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Accounting Officer for the financial statements**

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.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department for Exiting the European Union's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and,

in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Department for Exiting the European Union and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 Accountability Report 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.

**Gareth Davies**  
**Comptroller and Auditor General**

**15 July 2019**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## FINANCIAL STATEMENTS

### Statement of Comprehensive Net Expenditure

*for the period ended 31 March 2019*

£'000	Note	2018-19	2017-18 restated
Staff costs	2	48,857	32,932
Other operating expenditure	3	30,043	22,804
Depreciation	3	364	130
<b>Total operating expenditure for the year ended 31 March</b>		<b>79,264</b>	<b>55,866</b>
Income	-	-	-
<b>Net operating expenditure for the year ended 31 March</b>		<b>79,264</b>	<b>55,866</b>
Other Comprehensive Net Expenditure	TrEq	-	-
<b>Total comprehensive net expenditure for the year ended 31 March</b>		<b>79,264</b>	<b>55,866</b>

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, which are not yet recognised as income or expenditure.

The Notes on pages 54 to 63 form part of these accounts.

**Statement of Financial Position**  
*as at 31 March 2019*

£'000	Note	31 March 2019	31 March 2018 restated
<b>Non-current assets</b>			
Property, plant and equipment	4	729	655
<b>Total non-current assets</b>		<b>729</b>	<b>655</b>
<b>Current assets</b>			
Trade and other receivables	5	4,845	3,802
Cash and cash equivalents	6	1,895	10,649
<b>Total current assets</b>		<b>6,740</b>	<b>14,451</b>
<b>Total assets</b>		<b>7,469</b>	<b>15,106</b>
<b>Current liabilities</b>			
Trade and other payables	7	(27,838)	(45,057)
Provisions	10	-	(114)
<b>Total current liabilities</b>		<b>(27,838)</b>	<b>(45,171)</b>
<b>Total assets less total liabilities</b>		<b>(20,369)</b>	<b>(30,065)</b>
<b>Taxpayers' equity</b>			
General fund		(20,369)	(30,065)
<b>Total taxpayers' equity</b>		<b>(20,369)</b>	<b>(30,065)</b>

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

The Notes on pages 54 to 63 form part of these accounts.

**Clare Moriarty**  
**Permanent Secretary and Accounting Officer**  
Department for Exiting the European Union

**8 July 2019**

**Statement of Cash Flows**  
*for the period ended 31 March 2019*

£'000	Note	2018-19	2017-18 restated
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(79,264)	(55,866)
Adjustment for non-cash transactions	3	476	229
(Increase)/decrease in trade and other receivables	5	(1,043)	(3,369)
Less movements in trade and other receivables relating to items not passing through the SoCNE		-	8
Increase/(decrease) in trade payables	7	(17,211)	17,831
Less movements in trade and other payables relating to items not passing through the SoCNE		-	474
Increase/(decrease) in provisions	10	(114)	114
Movement in amounts drawn down but not used from Consolidated Fund	7	8,754	2,864
<b>Net cash outflow from operating activities</b>		<b>(88,402)</b>	<b>(37,715)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(444)	(566)
Movements in capital accruals	7	(8)	(375)
<b>Net cash outflow from investing activities</b>		<b>(452)</b>	<b>(941)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) in respect of MoG		-	(1,108)
From the Consolidated Fund (Supply) current year	TpEq	80,100	36,900
<b>Net cash inflow from financing activities</b>		<b>80,100</b>	<b>35,792</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		<b>(8,754)</b>	<b>(2,864)</b>
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>(8,754)</b>	<b>(2,864)</b>
Cash and cash equivalents at the beginning of the period	6	10,649	13,513
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>1,895</b>	<b>10,649</b>

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.

The Notes on pages 54 to 63 form part of these accounts.

**Statement of Changes in Taxpayers' Equity**  
*for the period ended 31 March 2019*

£'000	Note	General Fund	Total Taxpayer's equity
<b>Balance at 31 March 2017</b>		<b>(12,945)</b>	<b>(12,945)</b>
Net Parliamentary funding		35,792	35,792
Net Parliamentary funding - deemed		13,513	13,513
Consolidated Fund Payable		(10,649)	(10,649)
Comprehensive net expenditure for the year	SoCNE	(55,866)	(55,866)
Non-cash adjustments: auditors' remuneration		90	90
<b>Balance at 31 March 2018</b>		<b>(30,065)</b>	<b>(30,065)</b>
Net Parliamentary funding		80,100	80,100
Net Parliamentary funding - deemed		10,649	10,649
Consolidated Fund Payable	7	(1,895)	(1,895)
Comprehensive net expenditure for the year	SoCNE	(79,264)	(79,264)
Non-cash adjustments: auditors' remuneration		106	106
<b>Balance at 31 March 2019</b>		<b>(20,369)</b>	<b>(20,369)</b>

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.

The Notes on pages 54 to 63 form part of these accounts.

## Notes to the Departmental Accounts

### Note 1. Statement of Accounting Policies

#### 1.1 *Statement of Compliance*

These financial statements have been prepared in accordance with the Accounts Direction issued by HMT under section 5 (2) of the Government Resources and Accounts Act 2000. The accounting policies adopted are in accordance with the 2018-19 FReM issued by HMT and apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected.

#### 1.2 *Basis of Preparation*

The accounts are prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment to current 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 2019-20 is due to be received early in the 2019-20 financial year, and HMT has published the 2019-20 Vote on Account, which provides authority for spending on continuing services by DExEU until Royal Assent is received for the Main Estimates. In addition, in the 2016 Autumn Statement DExEU received a budget allocation up to and including the 2019-20 financial year. Therefore, it is considered appropriate to prepare these financial statements on a going concern basis.

#### 1.4 *Machinery of Government*

On 24 July 2018 under a MoG change a number of DExEU staff transferred to the CO to provide additional support. In accordance with the FReM, merger accounting is applicable between central government departments and all income, expenditure, assets and liabilities relating to the transferred function are not included within the DExEU figures for 2018-19. The 2017-18 figures are restated and further details can be found in Note 13 on page 61.

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

The only new accounting standard, issued but not yet effective, expected to be relevant to DExEU in subsequent reporting periods is IFRS 16.

IFRS 16 recognises all significant leases as a financing lease and therefore eliminate "off-balance sheet" leasing arrangements. This requires recognition of a single right-of use asset, measured at the present value of lease payments. As DExEU currently occupies properties from OGDs, this is likely to have an effect on the Statement of Financial Position the value of which is evident in Note 9 on page 60. The update to the standard will be effective from 2020-21 for bodies reporting under the FReM.

#### 1.6 *Interpreters fees*

European Council working groups often require interpreters. Interpretation costs are shared between the Council's own budget and the Member States. English language interpretation costs are split between the UK and Ireland on a per capita basis.

The Council invoices DExEU in-advance, based on an estimate of expected costs, every 6 months. DExEU then

recharges OGDs every three months, in arrears based upon actual figures. Costs are split amongst OGDs based on their attendance at Council meetings. DExEU processes payment of estimates received from European Council and invoices OGDs for their share of costs.

DExEU recognises neither fee income nor expenditure in respect of OGDs.

### *1.7 Employee benefits*

#### *Pensions*

The majority of past and present 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.

#### *Outstanding employee holiday entitlement*

In accordance with IAS19, the cost of paid outstanding holiday entitlement is recognised in the Accounts calculated against pay, pension and employers national insurance contributions.

### *1.8 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 £5k on an individual or grouped basis. Individual items are not grouped, except for laptops. Assets are held at depreciated historical cost as a proxy for current value in existing use. Useful lives are calculated in accordance with the expected use of individual types of assets.

#### *Information Technology*

DExEU's IT equipment is provided by the CO. Assets are recognised on a verified cost basis with an associated impairment review.

### *1.9 Depreciation*

Non-current operational assets are held at current value in existing use in accordance with the FReM. The Department considers that the reported depreciated value (after impairments) gives the best approximation of current value in existing use.

The calculation for depreciation is carried out as detailed below:

- Depreciation is applied on a straight line basis over the useful life of the underlying asset.
- Depreciation is not charged in the first month of acquisition and use but is charged in the final month of useful life.

Information Technology is depreciated on a straight-line basis over its useful life of 3 years. Leasehold improvements are depreciated over five years.

### *1.10 Trade and other receivables*

#### *Prepayments*

The EU estimate and charge to DExEU amounts due in respect of Interpreters fees and these are treated as prepayments until the expenditure is incurred. Where the expenditure incurred relates to OGDs, the amounts prepaid are then charged to the relevant OGD and treated as a receivable balance until settlement.

Expenditure applicable to DExEU is charged as the expenditure is incurred.

### 1.11 Financial Instruments

#### Financial Instruments

DExEU adopted IFRS 9 Financial Instruments in 2018-19 to replace IAS 39 Financial Instruments: Recognition and Measurement. DExEU conducted an impact assessment and concluded that the transition to IFRS 9 had no impact on the general fund opening balance and therefore no adjustment has been required.

DExEU has a policy of pursuing outstanding salary related debt. As the receivables balances are with core central government departments, the FReM exempts them from recognising expected credit losses until a default event is considered likely at which point a provision is made.

#### 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. Balances are written off when the probability of recovery is assessed as being remote.

#### Financial Liabilities

Trade and other payables are initially recognised at cost, 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 2019, and for amounts reported for income and expenses during the relevant period. Estimation techniques have been used for the calculation of depreciation and in assessment of any significant provision and contingent liabilities.

### 1.14 Provisions

DExEU accounts for provisions in accordance with IAS 37 and where the conditions are in place to do so. Where DExEU recognises provisions, these are discounted to reflect the timing of expected outflows.

## Note 2. Staff Costs and numbers

£'000	Permanently employed staff	Others	Ministers	Special Advisors	2018-19	2017-18 restated
Wages and salaries	32,705	-	274	219	33,198	23,100
Social security costs	4,151	-	-	27	4,178	2,738
Other pension costs	6,774	-	-	35	6,809	4,737
Agency staff costs	-	3,112	-	-	3,112	1,447
<b>Sub total</b>	<b>43,630</b>	<b>3,112</b>	<b>274</b>	<b>281</b>	<b>47,297</b>	<b>32,022</b>
Inward secondments	1,560	-	-	-	1,560	910
<b>Total staff costs</b>	<b>45,190</b>	<b>3,112</b>	<b>274</b>	<b>281</b>	<b>48,857</b>	<b>32,932</b>

Social security costs include the Apprenticeship Levy. Introduced in April 2017, it requires employers with a pay bill of more than £3m each year to pay the levy. The 2018-19 social security costs figure includes £187k (2017-18 £117k) of apprenticeship levy costs.

	Permanently employed staff	Others	Ministers	Special Advisors	2018-19	2017-18 restated
Total FTE	695	18	5	2	720	528
<b>Total</b>	<b>695</b>	<b>18</b>	<b>5</b>	<b>2</b>	<b>720</b>	<b>528</b>

The FTE is calculated based on the average headcount in each month from April 2018 to March 2019, and apportioned for staff who work part-time. At 31 March 2019, there were five Ministers in the Department.

The Remuneration and Staff Report, pages 27 to 41, contains a full breakdown of staff costs.

### Note 3. Operating Expenditure

£'000	2018-19	2017-18 restated
<b>Cash items</b>		
Supplies and services	1,644	637
Professional services	5,990	3,363
IT costs	2,925	3,152
Rentals under operating leases	7,905	4,118
Facilities management	371	2,641
Travel, subsistence and hospitality	1,178	1,294
Legal costs	6,716	5,205
Other staff related costs	3,202	2,181
<b>Total cash items</b>	<b>29,931</b>	<b>22,591</b>
<b>Non-cash items</b>		
Auditors remuneration	106	90
Depreciation	364	130
Provisions	-	114
Capital grants to other government bodies	-	6
Written off assets	6	3
<b>Total non-cash Items</b>	<b>476</b>	<b>343</b>
<b>Total</b>	<b>30,407</b>	<b>22,934</b>

The external auditors' fees (notional) for statutory audit work carried out by the NAO totalled £106k (2017-18 £90k). There were no fees for non-audit work. The internal auditor's fee for work carried out by the GIAA totalled £170k (2017-18 £112k), and is included within professional services costs.

Capital grants to OGDs refers to the transfer of assets to CO as part of the transfer of the Europe Unit under merger accounting for which there is no cash movement.

Note 4. Property, Plant and Equipment

£'000	2018-19 Information Technology	2018-19 Property, Plant and Equipment	2018-19 Total
<b>Cost or valuation</b>			
At 1 April 2018	900	43	943
Additions	329	115	444
Disposals	(18)	-	(18)
<b>At 31 March 2019</b>	<b>1,211</b>	<b>158</b>	<b>1,369</b>
<b>Depreciation</b>			
At 1 April 2018	(287)	(1)	(288)
Charged in year	(347)	(17)	(364)
Disposals	12	-	12
<b>At 31 March 2019</b>	<b>(622)</b>	<b>(18)</b>	<b>(640)</b>
<b>Carrying amount at 31 March 2019</b>	<b>589</b>	<b>140</b>	<b>729</b>
<b>Carrying amount at 31 March 2018</b>	<b>613</b>	<b>42</b>	<b>655</b>
Total owned at 31 March 2019	589	-	589
Total leased at 31 March 2019	-	140	140

£'000	2017-18 Information Technology	2017-18 Property, Plant and Equipment	2017-18 Total
<b>Cost or valuation</b>			
At 1 April 2017	502	-	502
Additions	523	43	566
Disposals	(5)	-	(5)
Disposals - MoG	(7)	-	(7)
Disposals - Transfers to OGDs	(14)	-	(14)
Impairments	(99)	-	(99)
<b>At 31 March 2018</b>	<b>900</b>	<b>43</b>	<b>943</b>
<b>Depreciation</b>			
At 1 April 2017	(167)	-	(167)
Charged in year	(129)	(1)	(130)
Disposals	2	-	2
Disposals - MoG	1	-	1
Disposals - Transfers to OGDs	6	-	6
<b>At 31 March 2018</b>	<b>(287)</b>	<b>(1)</b>	<b>(288)</b>
<b>Carrying amount at 31 March 2018</b>	<b>613</b>	<b>42</b>	<b>655</b>
<b>Carrying amount at 31 March 2017</b>	<b>335</b>	<b>-</b>	<b>335</b>
Total owned at 31 March 2018	613	-	613
Total leased at 31 March 2018	-	42	42

## Note 5. Trade and Other Receivables

Amounts falling due within one year: £'000	2018-19	2017-18
Trade receivables	684	-
Deposits and advances	4	-
MoG receivables	1,111	-
Other receivables	1,978	2,805
OGD salary recoveries	923	915
Prepayments	145	82
<b>Balance at 31 March</b>	<b>4,845</b>	<b>3,802</b>

OGD salary recoveries were presented within the 2017-18 accounts as 'Deposits and Advances'. This has been renamed for 2018-19 to better reflect the nature of the balance.

## Note 6. Cash and cash equivalents

£'000	2018-19	2017-18
Cash at bank at 1 April	10,649	13,513
Net change in cash and cash equivalent balances	(8,754)	(2,864)
<b>Cash at bank and held at 31 March</b>	<b>1,895</b>	<b>10,649</b>

All cash and cash equivalent balances are held within the Government Banking Service.

DExEU is funded through the Consolidated Fund and holds no long term borrowings. There are, therefore, no changes in liabilities arising from financing activities to disclose.

## Note 7. Trade and Other Payables

Amounts falling due within one year: £'000	2018-19	2017-18
Trade payables	823	-
Other payables	644	469
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,895	10,649
Accruals	16,482	16,800
Capital accruals	119	127
Amounts due to OGDs	7,875	17,012
<b>Balance at 31 March</b>	<b>27,838</b>	<b>45,057</b>

## Note 8. Financial Instruments

The cash requirements of the Department are met through the Estimates process. 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 cycle to amend funding levels, changing circumstances and unforeseen events. DExEU's exposure, therefore, to liquidity risk, is minimal.

### Credit risk

DExEU is not exposed to any material credit risk. Receivables held are with OGDs so any credit risk associated with these balances is minimal.

### Currency risk

The Department has material transactions with the EC. The Department pays the EC in euros in respect of the UK Government's use of Interpreters at various events. DExEU then recharges the costs to the OGDs according to usage by the respective department. The Department's exposure to currency risk is immaterial as any exchange losses or gains realised are offset by amounts recharged to OGDs.

## Note 9. Other Commitments

As at 31 March 2019, DExEU held the following commitments:

£'000	2018-19	2017-18
<b>Buildings</b>		
Not later than one year	4,708	5,500
Later than one year and not later than 5 years	-	4,070
Later than 5 years	-	-
<b>Total Commitments on Operating Leases</b>	<b>4,708</b>	<b>9,570</b>
<b>Other</b>		
Not later than one year	373	186
Later than one year and not later than 5 years	30	9
Later than 5 years	-	-
<b>Total Other</b>	<b>403</b>	<b>195</b>
<b>Total Commitments</b>	<b>5,111</b>	<b>9,765</b>

## Note 10. Provisions

£'000	2018-19	2017-18
Balance at 1 April	114	-
Provided in the year	-	114
Utilised in year	(114)	-
<b>Balance at 31 March</b>	<b>-</b>	<b>114</b>

Analysis of expected timing of discounted flows: £'000	2018-19	2017-18
Not later than one year	-	114
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>114</b>

## Note 11. Contingent Liabilities disclosed under IAS 37

MPM requires departments to report to Parliament any contingent liabilities in over £300k. DExEU does not have any reportable contingent liabilities for the 2018-19 financial year.

## Note 12. Related Party Transactions

The Department has made a number of transactions with OGDs. The most significant of these transactions are the payments by the CO on behalf of the Department to pay for expenditure incurred and subsequently reimbursed to CO. At the reporting date, the Department held payables balances to CO of £7.9m and receivable balances of £1.1m.

Rent payments incurred during the period of £2.86m were paid to Ministry of Defence and rent of £3.1m was due to HMRC of which £0.8m is outstanding at year end. Other balances outstanding with OGDs 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.

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. See paragraph 7.4 on page 15 for details of Ministers and Board members.

## Note 13. Machinery of Government Change

There was a supplementary estimate transfer to the CO in 2018-19 which transferred £1.667m RDEL budget (2017-18 £1.667m). The actual resource expenditure in 2018-19 is £1.111m (2017-18 £1.108m).

## Restatement of prior year comparatives

*Restated Headcount  
for the year ended 31 March 2018*

£'000	2017-18 published accounts	MoG transfer	2017-18 restated
Permanently employed staff	620	(14)	606
Others	24	-	24
<b>Total</b>	<b>644</b>	<b>(14)</b>	<b>630</b>

*Restated Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2018*

£'000	2017-18 published accounts	MoG transfer	2017-18 restated
Staff costs	33,872	(940)	32,932
Other operating expenditure	22,972	(168)	22,804
Depreciation	130	-	130
<b>Total operating expenditure for the year ended 31 March</b>	<b>56,974</b>	<b>(1,108)</b>	<b>55,866</b>
Income	-	-	-
<b>Net operating expenditure for the year ended 31 March</b>	<b>56,974</b>	<b>(1,108)</b>	<b>55,866</b>
Other Comprehensive Net Expenditure	-	-	-
<b>Total comprehensive net expenditure for the year ended 31 March</b>	<b>56,974</b>	<b>(1,108)</b>	<b>55,866</b>

*Restated Statement of Cash Flow  
for the year ended 31 March 2018*

£'000	2017-18 published accounts	MoG transfer	2017-18 restated
<b>Cash flows from operating activities</b>			
Net operating expenditure	(56,974)	1,108	(55,866)
Adjustment for non-cash transactions	229	-	229
(Increase)/decrease in trade and other receivables	(3,369)	-	(3,369)
Less movements in trade and other receivables relating to items not passing through the SoCNE	8	-	8
Increase/(decrease) in trade payables	17,831	-	17,831
Less movements in trade and other payables relating to items not passing through the SoCNE	474	-	474
Increase/(decrease) in provisions	114	-	114
Movement in amounts drawn down but not used from Consolidated Fund	2,864	-	2,864
<b>Net cash outflow from operating activities</b>	<b>(38,823)</b>	<b>1,108</b>	<b>(37,715)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(566)	-	(566)
Movements in capital accruals	(375)	-	(375)
<b>Net cash outflow from investing activities</b>	<b>(941)</b>	<b>-</b>	<b>(941)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) in respect of MoG	-	(1,108)	(1,108)
From the Consolidated Fund (Supply) current year	36,900	-	36,900
<b>Net cash inflow from financing activities</b>	<b>36,900</b>	<b>(1,108)</b>	<b>35,792</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>	<b>(2,864)</b>	<b>-</b>	<b>(2,864)</b>
Payments of amounts due to the Consolidated Fund	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>(2,864)</b>	<b>-</b>	<b>(2,864)</b>
Cash and cash equivalents at the beginning of the period	13,513	-	13,513
<b>Cash and cash equivalents at the end of the period</b>	<b>10,649</b>	<b>-</b>	<b>10,649</b>

*Restated Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2018*

£'000	2017-18 published accounts	MoG transfer	2017-18 restated
<b>Balance at 31 March 2017</b>	<b>(12,945)</b>	-	<b>(12,945)</b>
Net Parliamentary funding	36,900	(1,108)	35,792
Net Parliamentary funding - deemed	13,513	-	13,513
Consolidated Fund Payable	(10,649)	-	(10,649)
Comprehensive net expenditure for the year	(56,974)	1,108	(55,866)
Non-cash adjustments: auditors' remuneration	90	-	90
<b>Balance at 31 March 2018</b>	<b>(30,065)</b>	-	<b>(30,065)</b>

Note that there was no change to the Statement of Financial Position.

**Note 14. Events after the reporting period**

The Department's financial statements are laid before the House of Commons by HMT. 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 15 July 2019.

As at the date of publication, no events have taken place which impact upon the financial statements for the year ended 31 March 2019, and no decisions or announcements have been made in relation to the structure of the Department which impacts our going concern assessment and the future operation of the Department.

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