

December 2019

Lessons Learned from No Deal Planning: System Weaknesses

Brexit Readiness Unit/Cabinet Secretariat

Introduction	2
Overview	2
Themes and summary of recommendations	4
Border policy and implementation	6
Regional/Sector economic support: Kingfisher, Starling and beyond	13
EU Funding - delivering ‘the Guarantee’ and designing successor funding	17
Clearing Hub	20
Dashboard	22
Consulted for this review:	24
Glossary	26

Introduction

1. During November we completed a short exercise to “*identify and capture those areas of no deal planning which have revealed system weaknesses beyond Brexit, and which require a cross-Government approach to address*”. We conducted this alongside the Cabinet Office Secretariat’s review of XO.
2. Our focus was on issues which had been exposed by XO/XS Committee scrutiny, August-November 2019, and which had:
 - a. an enduring legacy not limited to No Deal preparations, with direct implications on an implementation period, future trade negotiations and UK public policy post-Brexit;
 - b. multiple departmental interests, or more than one departmental ‘lead’; and
 - c. revealed a structural/systemic problem in the efficacy and efficiency of Whitehall’s approach.
3. Our purpose was not to evaluate individual policy decisions or approaches, nor to undertake a comprehensive assessment of all areas of No Deal planning with broader implications. Our approach was empirical, based on our own observations from a privileged vantage point, which we then verified with colleagues.

Overview

4. The note to follow details why each of five areas of No Deal planning have wider implications for Whitehall, both in the immediate next phase of Brexit and beyond.
5. **Borders:** Border issues dominated XO and XS, inevitably given the implications of Brexit. Discussions comprised challenges of flow (people and goods), security, and trade, and related to strategy, policy, planning, contingency and operational management. More than any other XO issue the Chilcot Checklist ([Good Operation Handbook](#)) would have been usefully applied, early. Problems identified included lack of clarity in political direction and accountability, duplication and confusion of coordination roles, and inefficient use of data (a result of barriers to data-sharing). Given the centrality of our strategic border policy to both Deal implementation and UK future trading relationships, these must be resolved quickly.
6. **Regional/Sector Support:** How best to decide, plan and deploy economic support to businesses and geographies affected by Brexit was a persistently knotty aspect of No Deal planning. This encompassed everything from responsive ‘rescue’ (“Project Kingfisher”) to universal information and signposting for readiness grants, easements or subsidies (“Project Starling”). Problems identified included responsive capacity at scale, and sharing and using high quality analysis of vulnerable sectors and places (rightly sensitive) to inform medium to long-term policy.

7. **EU Funding:** The future of EU funded projects appeared piecemeal on XO/XS agendas. There were few 'Day 1' implications and XS was considering an EU No Deal regulation that would have delayed the issue from crystallising. The nature of the issue varied significantly with the status of negotiations. A long-term vision beyond the guarantee to existing recipients was weak, if not absent, and even the delivery of the guarantee was more complicated than the priority given to discussions implied (e.g. identification of recipients, timing). However, replacement funding and investment programmes are crucial to post-Brexit growth. While individual departmental responsibilities were defined (HMT provide funds, department AOs implement, and CO Grants Management ensure consistency), there was an appetite for stronger direction. The government's vision (and the communication of this) affects economic and civic confidence and resilience. Problems identified included absence of overall ownership, and lack of political direction and strategic clarity.

8. **Clearing Hub:** A seemingly prosaic issue, the redeployment of staff across Whitehall to meet new demand in Brexit preparations became urgent relatively late in XO. The immediacy of the problems, and attention given by senior decision-makers (political and official), meant they were quickly solved. However, Whitehall often has to fulfil new, surge, and trained staffing demands. Problems are most common when the need is multi-disciplinary and cross-cutting. There are evident gaps in our capability to train personnel, analyse skills, maintain up-to-date matching, and adapt contracts quickly.

9. **Dashboard (automated programme performance):** Early in the establishment of XO/XS ministers and advisers requested an automated, single source of progress data on Brexit preparations. A single dashboard was created from all existing programme tools, with some intelligent coding to allow simple numerical scrutiny. It was mostly manual and centrally controlled, which limited its potential for AI or informing sophisticated scrutiny or agenda-setting. Tight security prevented multi-users and the 'positive externalities' of wide knowledge-sharing. Collating, automating and presenting information is vital to all successful programme delivery. However, the lack of organic technical capability and our capacity/appetite to use such tools prevents efficiency and effectiveness.

Not in scope

10. During this exercise we considered the following issues as potentially within scope, but disregarded them for reasons explained.

11. **Local Readiness:** the extent to which local issues were considered effectively and proportionately at XO, particularly communication and prioritisation. These problems related to process in the main, and as such are covered in the Secretariat's review. However, the extent to which Whitehall teams understand local, regional and national issues - the nuances of social, political, and cultural context - is relevant to Brexit and beyond. Such knowledge is not currently a strength or an explicitly valued Whitehall competence (beyond discrete MHCLG teams). Escalation of local issues to XO

revealed how much language, history, and personal relationships matter, and which more sensitive handling at an earlier stage would have avoided. This is most stark in relation to the Devolved Administrations (DAs) and Overseas Territories.

12. **Northern Ireland:** NI is a microcosm of all No Deal issues (e.g borders, security, business and citizen readiness, economic interventions), with unique circumstances and requirements. It will continue to be so in 2020. The gaps in overall strategy, direction, coherence and clarity has been acknowledged and are being addressed outwith this review.
13. **Maritime Security:** much XO discussion related to our ability to police waters and prevent illegal incursions. XS clarified the position but the uncodified boundary between the remits of XO and the National Security Council caused confusion among Depts. While this was challenging it is predominantly an issue of process, under separate consideration. XO did expose some systemic flaws in Whitehall delivery but the discussions did not always reflect cooperation at official level. Nonetheless, this area merits further scrutiny, possibly in 2020's Strategic Defence and Security Review.
14. **Business / Citizen Readiness:** After borders, 'readiness' items dominated XO agendas. DEXEU and Comms teams are undertaking separate reviews. These will capture lessons learnt from both successful and unsuccessful impact, and highlight the groups we needed to reach but did not (e.g. Romanian hauliers, or EUSS eligible young people in care). More broadly, influencing citizen/business behaviour is a perennial challenge for Whitehall. Much has improved since the first 'nudging' of early 00s, but there is a gulf between what we do for efficacy vs for effect, and what we do quickly vs do well. In the next phase of Brexit we need to be more sophisticated in how we work with and through standing stakeholder groups. We also need to understand how best to use ad hoc and uncoordinated relationships. Feedback from senior business leaders highlights the sectors or individuals who felt unheard, or faced multiple requests.

Themes and Summary of Recommendations

15. Above all else, candour from colleagues at all levels illustrated the inherent complexity of Brexit, and the extra challenges of a volatile and ambiguous political context plus a hard deadline. There was plenty of evidence of excellence: significant achievements at pace, and good sense, good judgement and good humour. Interviewees also highlighted that the XS/XO process (subject to separate review by the Secretariat), while not perfect, was welcome and effective: driving progress, ensuring responsiveness and momentum, enabling precision.
16. Systemic problems identified - and future improvements - mirror the findings of the Phase 1 EU Exit lessons learned (P1LL) conducted in July 2019:

- a. **Governance** - clearer structures, more defined roles, and more direct lines of senior official and political accountability needed in many areas. Splits in ownership of policy and delivery made more sense on paper than in practice. P1LL noted that *“The first lesson surfaced...is the need for coherent direction and clear decision-making supported by clear organisational and strong governance structures”*.
- b. **Strategic oversight and direction** - weakness in governance tended to be accompanied by a lack of strategic oversight, direction and longer-term vision. Leadership across HMG, e.g. adjudication between legitimately competing priorities, was often lacking.
- c. **Role of the centre** - the challenges presented by Brexit planning often required a stronger centre, to pre-empt problems, and convene for solutions. P1LL noted that *“the centre must organise itself to provide strategic leadership, bringing together the right people and information to articulate a single vision for the administration and delivery of EU Exit”*. The XO process was a successful response to this but in some areas the need for a strong central role was still identified, predominantly in traditional areas: driving progress, escalating decisions, brokering agreement and linking horizontal issues. There is also an increasingly identified desire for more and better-resourced central capacity for challenge (‘Red Team’), end-to-end problem-solving, and testing new ideas.
- d. **Data and information** - better gathering, sharing, and analysis of data were identified as important issues for delivery in all areas. Whether using data for efficient project management and risk identification (Dashboard), informing policy development (Borders) or understanding capability across Whitehall (Clearing Hub), the culture and expertise on data in HMG must improve.

Border policy and implementation

Recommendation 1: A single, clear ministerial reporting line for BPEG to confirm clear political direction and accountability.

Recommendation 2: A new mandate for border policy and implementation, to articulate shared purpose and priorities, simplify and clarify governance, and empower delivery. This should reflect the reality of the convergence of 'Future Borders' and immediate policy.

Recommendation 3: Delivery must be supported by automated integrated data sources that will enhance HMG analysis and understanding, and increase confidence in border management.

Background

17. The approach to borders presented one of the most significant challenges of Brexit preparations. Border related work was the largest single contributor to XO agendas, August-October 2019. More than a third of agenda items focused on ensuring free flow of goods and people in the event of No Deal: operating policies; trader readiness; planning assumptions; local preparation (particularly Dover/Kent and Portsmouth/Hants); Northern Ireland border operation; and ongoing contingency management. The system weaknesses revealed are explained below, and proposed improvements to support future borders ambitions.

Borders Governance

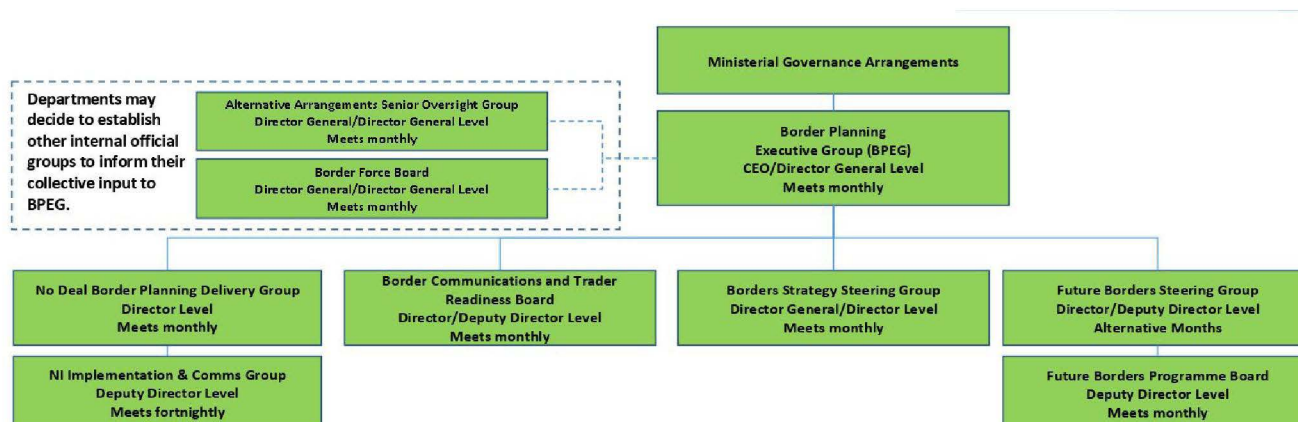


Fig 1. Border Delivery Group's latest Governance Structure.

DEFRA



Home Office (BICS)



HM Revenue and Customs (HMRC) / HM Treasury - Tax at the Border



Border Force (BF) – Long-Term Strategy



Border Delivery Group – Future Borders

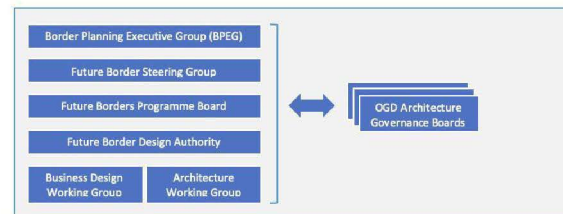


Fig 2. Examples of departmental governance for borders, from BDG's "Long Term Strategy Development – Summary of Discovery".

Systemic problems revealed

18. Over 20 government departments, agencies and public bodies contribute to UK border management. All contribute vital policy levers of change (money, law/regulation, or communication), and have their strategic objectives and priorities set out in the usual way (through Accounting Officers). Border governance structures at official level attempt to provide shared strategic purpose and clarity. These are relatively new and have suffered from inconstant membership and leadership.
19. The XO/XS process added a new governance layer for borders, which 'outranked' all others. This provided - mostly welcome - pace, authority and precision to decisions, afforded by the flexibility of official and ministerial attendance. However, the time available and attendance was limited in this fora, affecting the quality of strategic advice and discussion. These meetings also exposed the lack of clarity and consistency in ministerial accountability for the border. Whether decisions were for departmental ministers or collective decision-making varied depending on whether and how they appeared on XO agendas. In the absence of a minister with overall accountability for smooth operation of the border, now and in the future, CDL provided political direction as XO Chair. This was effective in resolving some immediate strategic decisions but is not sustainable without more formalisation.
20. **Role of the Border Delivery Group.** BDG's creation in Spring 2017 responded to problems of coordination, knowledge-sharing, and maintaining deep, broad, and trusted, stakeholder relationships. The feedback loop BDG provides, from frontline operations to policy and strategy teams, is valued. As Deal and No Deal preparations progressed however, and particularly in 2019, senior officials across Whitehall felt

both the absence of a ministerial-level mandate for what was the main fora for border discussion and planning, and duplication between BDG and DEXEU.

21. BDG needs clear, collectively agreed, objectives for the border (short, medium and longer term), and collective accountability for delivering them at ministerial and senior official level. The August-November period and XO process also exposed that BDG is unable to instruct Departments to amend their plans, because Departments are accountable to their ministers, which caused some stakeholder frustration (see 27 below). A political mandate would resolve this (for example, without a minister, BDG cannot even contribute to Cabinet clearance 'write-rounds'.)
22. The description that BDG 'does implementation' but departments 'do policy' is as flawed as similar policy/delivery splits elsewhere in Whitehall (justice, health), and is a long standing Brexit challenge¹. BDG's remit for delivery has been helpful so far, allowing constructive progression at official level, and streamlining and providing consistency at XO. As negotiation, implementation, and future strategy converge in 2020 such a split will be harder to sustain. The Borders Planning Executive Group (BPEG), the official-level Brexit borders governance group established after the referendum, directs policy and strategy but again the absence of ministerial reporting weakens its influence. Contributing departments are unclear whether and how decisions are taken - or cleared through ministers.
23. The XO/XS process itself exacerbated this tension. Discussions exposed the competing priorities of, and interactions between, customs with tax collection overall, and immigration with security overall. Lack of an accepted single strategy and associated decision-making and taking responsibilities was as evident at ministerial as at Accounting Officer level. As is often the case in such contexts, people filled the gap with coordination and information collation, not leadership. Several interviewees commented that in the lead up to 31st October there were a lot of 'coordinators'. Both BDG and DEXEU have commissioned departments to provide No Deal border implementation plans. At the very least in the next phase duplication must be avoided: 'commission once, use many times'.
24. Issues like the extent of border readiness checks in a No Deal, or whether or not to delay the abolishment of Low Value Consignment Relief to avoid any possible barriers to flow (in this case of small parcels), illustrate the need to improve future structures. That these became such a dominant XO/Small Ministerial Group issues highlights the absence of responsive, authoritative, lines of accountability, at both official and ministerial level.
25. **Impact on the ground.** This lack of clarity inevitably affected delivery. One Local Resilience Forum struggled to navigate between HMRC, BDG and DfT in agreeing

¹ The EU Exit Phase 1 Lessons Learned (P1LL) review recommended that "*HMG should ideally establish a single centre with a mandate to provide strategic direction, challenge and support to line departments, as well as the ability to maintain a coherent view of progress across negotiations, engagement and delivery*".

sites for the Day 1 No Deal (D1ND) Operating Model, and decisions communicated were sometimes in conflict or unclear in the final weeks.

26. The momentum of XO, and pressure of a No Deal deadline, removed an immediate incentive to resolve questions of clear strategy, governance, and political direction. Focusing on the location of pop-up sites and roadworks was more conclusive (and as such satisfying) than considering the short and long term customs agent workforce needs. This disempowered and confused frontline teams, and denied them the strategic clarity and leadership they needed.
27. As the Cabinet Secretariat's review on XO will note, discussions in 2020 will be even more complicated than those around a No Deal scenario. Therefore, sharing relevant information on negotiation positions and progress will be paramount, as will clear official and political accountability, and separate challenge and scrutiny, on the most efficient lines. This is likely more effectively done in considering specifics not abstracts, e.g. how will biosecurity policy be directed, designed, assured and delivered (across No10, DEFRA, BDG, NICS: when do Border Inspection Posts need to be built, and where).
28. As noted, Northern Ireland border issues encompass [similar challenges and more](#), and are being considered in separate reviews.

Necessary improvements for 2020

29. A new mandate for border policy and implementation should:
 - a. Establish and embed political priorities;
 - b. Empower governance structure and define roles and remits;
 - c. Dissolve the distinction between 'Future Borders' and immediate policy;
 - d. Establish Joint Committee, policy and delivery communication and feedback loops;
 - e. Define roles of HMG and intermediaries on funding and infrastructure;
 - f. Explain that security, flow and revenue are *not* in tension but mutually reinforcing and compatible, showing why and how at all levels of policy and operations (and better using data to support both);
 - g. Reflect the distinct context for each border that the UK will have to operate.
30. This should *not* take the form of another long document, or become an end rather than a means. The emphasis should be on a single version of the truth and clear leadership, widely understood and effective day-to-day.
31. As outlined above, clear ministerial accountability would provide a political mandate for BDG as the central borders function. Depending on the remit of DEXEU in Deal implementation overall, assurance and reporting functions would have to be resolved to avoid duplication.

Borders Information

Background

32. HMG holds extensive data on border movement in databases covering tax records, customs declarations, certificates, licences immigration returns, visas and passport information². There are over 120 different IT systems and applications in use across government and its agencies. Once out of the EU we will collect a great deal more at home and may retain access to EU databases.
33. Technical and legal issues have contributed to confused, complicated, arrangements in sharing and using this information. BDG note that this has led to:
- Inefficient internal processes leading to increased costs of running the border;
 - A lack of system-wide intelligence for security and compliance;
 - Opportunities to exploit system inefficiencies for illegal purposes and organised crime.
34. This has been a chronic problem which Brexit makes acute. Even assuming the UK and EU agree the maximum possible alignment in trade, our border with the EU will need to be managed: monitoring, policing and securing both movement and customs revenue.
35. In Singapore, the introduction of the National Trade Platform to connect businesses, community platforms and government systems reduced compliance cost by 30%.³

Systemic problems revealed

36. In November 2018 a SAS *Future Borders Proof of Concept* report proposed a technical solution of “data driven analytical processes to support effective decision making at the border”, this included “joining multiple data sets, of multiple modes of travel from multiple agencies across government”. Procuring this competitively was allocated to the ‘Future Borders’ workstream, which frustrated incoming ministers in August 2019, who wanted more clarity and cohesion in policy and operations relating to ‘Alternative Arrangement’ proposals. Many providers also approached ministers directly with offers to meet a perceived need.
37. In August 2019 Palantir Ltd offered a free trial of their existing and proven border system, and committed to delivering it in time for 31 October, then five weeks away. The process of attempting to implement this revealed the Cabinet Office was unable to procure a 4-week free trial from a provider on our framework, or to share necessary data. The final contract, limited in scope, was 80+ pages.

² For example: CHIEF/CDS, NCTS, AVLS, TRACES, PEACH, eDOMERO, Home Office Warnings Index. If we negotiate access to EU systems there will be further databases there.

³ From BDG’s ‘Long Term Strategy Development – Summary of Discovery’ November 2019

38. At present HMG does not have the processes in place to act as an effective manager and commissioner of border systems at the speed required to keep pace with developing technology.
39. **Difficulty integrating data sources** within HMG was highlighted by the challenge BDG faced in arbitrating data sharing protocols between HMRC, HO, the Cabinet Office and Palantir. BDG⁴ suggest that most departments see a standardised data collection method (via a single trade window) with data-driven risking as inevitable components of the future operational model.
40. Development of **planning assumptions** relied on labour intensive and time consuming analysis of static, historical data sources⁵. Interviewees suggested a lack of robust testing of evidence, and that lack detail on underpinning assumptions made in hard to target the indicators that may have had the biggest impact. The official border flow assumptions (of 45-65% on D1ND) themselves were static and reliant on extensive further assumptions about trader readiness.
41. **Sharing restrictions and delays**. One LRF had to revise their traffic management plan significantly in the weeks before October 31st.
42. We lack 'smart risking' i.e. linking databases by overcoming data sharing issues. We particularly lack data on 'Roll on Roll Off' (RoRo), which represents both security and revenue risk.
43. As ever, HMG struggles to recruit, train and retain people with the necessary technical skill and experience, in the necessary teams.

Necessary improvements for 2020

44. We need to automate high volume, predictable, routine information, and ensure frontline officers and Whitehall planners use this to:
- a. Provide an analytical basis for risk assessed checks by Border Force at ports;
 - b. Increase confidence in border management;
 - c. Enable industry decisions on custom site capacity in real time; and
 - d. Aid and implement strategic (e.g. Ministerial) decision making.
45. This will integrate public data like vessel tracking and traffic, and private industry data including ferry records and haulier tracking, to enhance HMG understanding of the border.

⁴ From BDG's 'Long Term Strategy Development – Summary of Discovery' November 2019

⁵ For comparison, the EU Lessons Learnt review from Phase 1 noted that 'late and overly precise assumptions often proved inflexible to new information and changing circumstances'. The review also recommended that assumptions would have benefitted from further external input, and that departments 'felt that they benefitted more from quicker, more directional assumptions'.

46. It will require a single data protocol for collating border data, probably held by BDG.
47. HMG should consider - on a faster timescale - procuring permanently the artificial intelligence that many providers have indicated their ability to provide. This will necessitate data protocols be resolved at the highest level, with ministers and senior officials making informed decisions about risk (including the risk of the status quo). This should be realistically costed for both the technology and the workforce training required.

Regional/Sector economic support: Kingfisher, Starling and beyond

Recommendation 4: *Specific, precise briefing for new ministers explaining the remit and content of ‘Kingfisher’ and ‘Starling’ (or their replacements for Deal implementation. Consider desktop exercises/simulation to illustrate the former).*

Recommendation 5: *Strengthened central role to establish a more formal link, and oversight of, wider post-Brexit strategies (e.g. Industrial Strategy, UKSPF, R&D investment). Continuation and formalisation of cross-Govt groups established by HMT/BEIS since August.*

Recommendation 6: *Advice for Small Ministerial Group (or equivalent) post-election on comprehensive business support plans.*

Summary

48. In discussions of both Project Starling (universal and proactive measures to help businesses prepare for Brexit) and Project Kingfisher (responsive and limited ‘rescue’ in Brexit-related business failure), XO exposed:

- a. differences of working definition (official and ministerial);
- b. differences of understanding of scope, ownership, and remit between HMT/BEIS/MHCLG and others;
- c. a gap between the support HMG was providing to ready *all* businesses for a change in trading terms with EU, and the very limited (correctly) state response to business failure, to better support vulnerable sectors in transition;
- d. the absence of a coherent - medium/long-term - policy uniting direct (*subsidies, easements, grants, bolstered frontline teams*) and indirect (*infrastructure investment, training incentives*) strategic business support.

49. The Yellowhammer (2) Lessons Learned report notes that *“Much progress has been made in recent months on developing measures to manage business failure and distress, but there is a need to continue this and exercise such measures and plans. There needs to be greater departmental awareness of which sectors they have policy ownership for in this regard. Linked to this though there could be a clearer set of mitigations relating to potential impacts on vulnerable groups”*.

Background

50. The existence and range of tools to respond to economic shocks predate 2016. The precise levers deployed depend on the context. It was clearly understood and accepted at XO/XS that it would not be possible to insulate businesses and individuals completely from the impacts of a No Deal Brexit.

51. Less clearly understood and accepted was XO/XS's remit in discussing or agreeing economic policies relating to Brexit. HMT hold fast to the convention that fiscal, tax and spending decisions are taken in the context of a Spending Review or Budget, and that established processes exist to coordinate policy and manage trade-offs. The PM and Chancellor choose the configuration of Ministers to support these. Others believed XO/XS was an exceptional structure, much like the 2008 collective processes chaired by the Economic and Domestic Secretariat (EDS, Cabinet Office). The creation of the 'Small Ministerial Group' satisfied HMT concerns about sensitive information, but exacerbated others' concerns about transparency and collectivity. If the XO/XS structures are retained in 2020 it's not feasible for *all* Brexit-related economic policy discussions to take place in the Small Ministerial Group. There are different interpretations of what constitutes 'collective agreement' and 'final say' across Whitehall.

Project Kingfisher was “*designed to consider carefully targeted, bespoke support for companies: strategically important to the UK or whose closure would cause disproportionate harm; with viable long-term prospects; experiencing short-term difficulties as a result of temporary disruption. Kingfisher does not provide support to businesses to adjust to structural changes resulting from Brexit. Kingfisher overlaps with Yellowhammer to respond quickly where business failure risks life and limb.*” (HMT)

Everyone we spoke to recognised HMT's leadership of Kingfisher but variously expressed concern that implementation depended on others. Without realistic resources and coordination, early and throughout, execution would fail.

The Yellowhammer (2) Lessons Learned report notes that “*Several respondents indicated a lack of understanding about the scope and operations of Operation Kingfisher. Whitehall Departments would benefit from some information on the details of Kingfisher. There were also some concerns that there is not the capacity, particularly at the local level, to respond to business failures at scale.*”

Project Starling was a £108m programme of activities⁶, coordinated by DEXEU but designed and delivered by Departments, to ready businesses “*in the event of a No Deal outcome... [and] is critical to mitigating both immediate operational disruption and wider economic impacts to trade and jobs*”. (DEXEU).

A separate review of business readiness activity and impact is underway, and will also draw more general conclusions about how well government works with and through stakeholders and lobby groups, and whether the Starling programme's emphasis on communication and advice, compared to grants and subsidies, should be improved. We will not pre-empt this analysis here.

⁶ Public information campaign; GOV.UK content; c.90 Departmental advice and outreach interventions; and targeted incentives/support (access to finance, 'Time to Pay', sector-specific grants, e.g. for legal advice, recruitment)

52. After August, and outside XO/XS, official level groups were established to discuss regional/sectoral business support more strategically:
- a. Kingfisher: HMT/BEIS co-chaired a regular group to share information across Whitehall and DAs, meeting weekly since January. Valued for information-sharing and relationships, but didn't solve concerns about capacity in the event of multiple concurrent failure.
 - b. People and Places: HMT convened an informal DG group in response to an appetite for thinking collectively about vulnerable citizens/businesses by geography and sectors. Not decision-making but valued for information shared (though Depts always wanted more than HMT could give). This was not a No Deal forum and focused more on the next fiscal event. It met four times with sub-groups meeting separately on specific aspects, and is now paused until after the election.
 - c. Local Economies Panel: set up in late October by HMT and the Cities and Local Growth Unit ('CLOG') to improve x-Whitehall monitoring, preparation and response to local economic shocks. The panel has focused on better monitoring and alignment with 'Kingfisher' principles for intervention. The intention is for ministers to receive advice on a future for this group in 2020, to respond to some of the issues identified below.

Systemic problems revealed

53. HMT teams are very clear about what Kingfisher is and is not. The mechanism for choosing when and how to intervene in response to shocks (HMT, BEIS, UKGI) is well tested - and was tested at least twice during the August-November period.
54. For HMT 'Kingfisher' did not denote a new approach but a new label and bolstered resource (new team of 20 dedicated FTEs). The additional element after 2016 was very high quality analysis of the sectors and geographies most at risk from a No Deal (or low alignment Deal) Brexit. Sharing this information as part of more formal programme management led to useful discussions about the specificity of jobs at risk (e.g. 2000 in food processing, dispersed across the country).
55. For others - including ministers - Kingfisher denoted something broader and more tangible. A possible source of misunderstanding was an August XO paper from CST on the Government's overall plans for supporting businesses through economic shocks. This reified 'Kingfisher' into a contingency programme with standing resource, more like Yellowhammer. At a minimum, some others around the table assumed Kingfisher *data* would inform relevant policy and strategy advice (e.g. existing investment programmes, or the Shared Prosperity Fund).
56. BEIS teams have made a consistent case for medium/long term planning, clarity of No10 direction, and more collective discussion. They view the scale and volume of likely failure in both No Deal and a low alignment Deal as greater than our current

processes can withstand. The UK is the only one of the top 20 locations for Foreign Direct Investment which doesn't have any explicit incentives e.g. for pharma, a gigafactory, automated vehicle production. BEIS' assessment of our requirements suggests a policy strategy to encompass business incentives for

- a. The 'New' (e.g. gigafactory)
- b. The 'Must Retain' (e.g. pharmas, chlorine)
- c. The 'Support to Pivot' (e.g. to low carbon or alternative markets)
- d. The 'Support to Replace'.

57. BEIS have a detailed proposal for a Transition Fund, to "manage the no" of business support, as well as a 3-5 year plan for ensuring support is strategic (i.e. aligned to Grand Challenges like zero carbon). HMT consider individual investment decisions a narrow tool which shouldn't be overstated as an overall coherent approach to Brexit, which would need to draw on a wide range of economic policy levers. Conversations are underway between BEIS and HMT to revise the Industrial Strategy post-election, and ensure it is more targeted.

58. In conversation colleagues in BEIS (wholeheartedly) and HMT (with reservations) agreed that a significant weakness exposed by XO/XS discussions is the absence of a coherent business future vision, to ensure continued investment and 'animal spirits'. Professor Richard Jones' May 2019 paper, *A Resurgence of the Regions: rebuilding innovation capacity across the whole UK* is relevant to this and was prominent in the election campaign⁷.

7

http://www.softmachines.org/wordpress/wp-content/uploads/2019/05/ResurgenceRegionsRALJv22_5_19.pdf

EU Funding - delivering 'the Guarantee' and designing successor funding

Recommendation 7: Clarification is needed on overall HMG accountability for delivering the EU funding programme, with clear responsibilities, including developing the overall strategy for the approach to future EU funding and links to related priorities across HM

Recommendation 8: Dedicated resources are needed in the centre on EU funding, in particular on successor and replacement funding.

Recommendation 9: Cabinet Office Grants Management Function needs a senior remit to provide advice, challenge, effective tools and performance information in establishing new funds.

Summary

59. EU Funding covers a range of schemes that are vital for delivering HMG priorities. These include structural and investment funds, which support growth and jobs in important sectors and regions throughout the UK, and direct bid funds vital to research, education and innovation, e.g. Horizon 2020. The Guarantee⁸ meant that D1ND issues were less acute but designing, communicating and implementing successor funds have very long lead times. Brexit preparations have revealed gaps that, if addressed, future negotiations, sector and regional transition and growth (i.e. Shared Prosperity Fund), and other national priorities, e.g. the Industrial Strategy Grand Challenges.

Background

60. HMG committed to guarantee funding for UK beneficiaries until the end of the current Multiannual Financial Framework (2020). The medium to long term position is unclear. Ambiguity in future arrangements has been the main concern throughout Brexit planning. Horizon 2020 is a €79 billion fund for R&D, currently the most prominent platform for the UK's global leadership in research and innovation. Many stakeholders (e.g. Wellcome) are keen to help design and deliver alternatives but without clarity the UK's reputation, influence and future in innovation and science is at risk. While all major parties have committed to continued participation in their manifestos the future is still unclear.

61. The programme of work to implement the Guarantee - and the UK approach to either continued participation or domestic replacements for EU funding - presented a significant challenge. Some progress was made by departments to prepare for No Deal, with strong links established between 150 colleagues across Whitehall and DAs, coordinated by a combination of DEXEU and the Cabinet Office Grants

⁸The UK will continue to participate in the programmes financed by the current EU Budget until their closure. This means that all EU funded programmes will be fully funded under the current 2014-2020 Multiannual Financial Framework, with the tail of funding in some areas up to 2023.

Management Function. Most acknowledged that this was responsive and reflected short-term needs.

Systemic problems revealed

62. **Confused lines of accountability and responsibility.** Departments were often unable to identify a clear lead in HMG for escalation of issues or provide advice to ministers on EU funding. For example, for the 15 Extra Territorial Cooperation (ETC) Funding programmes, BEIS oversees overall policy, MHCLG is responsible for the UK's 9 programmes with the remaining 6 led and administered by DAs. The Cabinet Office Grants Management Function provides capacity building support and technical advice on grant management, and DEXEU coordinates the approach to negotiations and No Deal. HMT retains oversight on commitment and allocation decisions. This is the complexity of just one funding strand, made more opaque by low literacy across HMG about EU funding issues (outside specialist teams). Individual departments interpret guidance, and take decisions, in isolation, despite significant interdependencies.
63. **Weak central coordination and direction.** At different points in the process central departments - HMT, DEXEU, Cabinet Office - took the lead, and various governance structures were deployed. Such meetings and networks were valuable but limited. A stronger central role was needed for:
- a. Further guidance on legal issues, e.g. implications for cross-border and shared funds;
 - b. Clarity and consistency of HMG approach to the Guarantee (even with guidance provided by HMT, departments took different approaches and contradicted in communicating with stakeholders);
 - c. Forum to discuss negotiation issues, in particular on the approach by the EU Commission;
 - d. Better risk identification and escalation through data collection, reporting and analysis;
 - e. Quality and consistency in allocation of domestic grant schemes, to ensure value for money and benefits for citizens; and
 - f. Improved public communication, providing a unified message (noting the differences between programmes and different stakeholder requirements) and simple contacts.
64. **Need for senior direction and strategic oversight (official and political).** All major parties have committed to continue certain aspects of EU funding, such as Horizon 2020. Structural and investment funds are expected to continue until the end of 2014-20 programmes and the UK to implement the Shared Prosperity Fund in their place. The next phase of negotiations and domestic preparedness beyond Brexit will need a more ambitious and strategic approach. HMG will need to establish and articulate a position quickly, and have structures to ensure all relevant issues are considered and that stakeholders can contribute.

65. However, stakeholders with the detailed knowledge of management and implementation of funds are concerned by the absence of central 'grip': clear contacts; opportunities to input. For example, different negotiation scenarios, including the modalities for future participation, length of transition and participation demands from the EU, affect outcomes, e.g. the ability to deliver alternatives. The lead time for funding replacements can be 18 months, potentially rendering them undeliverable if assumptions change.
66. As referenced above, with an emphasis on local growth, the labour market, and reducing inequalities across regions, the Shared Prosperity Fund should be informed by HMT, BEIS and DA experience and analysis on vulnerable sectors and geographies, and should be considered in advice to new ministers on all related issues (including an updated Industrial Strategy).

Clearing Hub

Recommendation 10: *Explore commercially available applications to improve the ability to analyse, manage and identify talent across the Civil Service.*

Recommendation 11: *Develop a body of Civil Servants trained in command, control, and coordination (C3) procedures and consider creating a reserve cadre for emergencies.*

Summary

67. In early September Civil Contingencies Secretariat (CCS) voiced concerns that the Clearing Hub would not be able to meet the demand for some 2600 personnel to move across departments. CCS also identified risk in the qualitative selection of personnel and asked for a BRU review. This led to a short report, a prioritisation of command, control and coordination (C3), XO scrutiny and letters from both CDL and the PM to departments. By 29 Oct the Clearing Hub had triaged demand to 1877 posts, filling 88%; however, prioritisation meant that departments had filled 97% of C3 posts with no critical gaps remaining.
68. Nevertheless, the effort taken to mobilise a very small proportion of personnel revealed systemic weaknesses that were symptomatic of enduring challenges for the Civil Service. Every year the Civil Service Survey reports that people do not believe staff moves and promotions are fair and transparent, yet also report that managers find recruitment policies restrictive and sclerotic. The latter creates bad incentives which make the former inevitable. Brexit is an extraordinary event by its nature but events requiring flexible, trained, staff surges are frequent in occurrence.

Systemic problems revealed

69. **There was inconsistent prioritisation across Government.** Although Brexit and Yellowhammer (YH) preparations dominated Government business since Jul 19, departments appeared reluctant to reduce the priority of other policy work. The significant increase in the demand on the Clearing Hub for YH2 (preparations for October 31) was indicative of this and was twice that of YH1 (preparations for March/April) (1300 vs 2600). *“A number of Permanent Secretaries commented that the amount they spent was determined more by their risk appetite, than central guidance”* as the EU Exit P1LL reported: future events should include more rigorous review and scrutiny of demands within individual departments and across functional areas.
70. **Volunteering and Brexit-fatigue.** *“For the staff already in role, it is crucial that there is a central, coordinated effort to revisit the proposition to incentivise, motivate, recognise and reward them. A particular consideration should be given to employee wellness to combat fatigue and low morale”* (EU Exit P1LL). Throughout YH2 the Government relied on volunteers; however, the Clearing Hub faced increased

demand from departments concurrent to reduced enthusiasm across the Civil Service. Explanations for this included: limited appetite to re-volunteer from those that supported YH1; an increasingly divisive discourse over Brexit; and, reduced belief in the likelihood of a No Deal Brexit. This is likely to be a greater challenge for YH3 with potential mitigation through the use of staff incentives.

71. **The Government cannot analyse skills held across the Civil Service** and is thus unable to conduct targeted recruiting of personnel for an event such as Brexit. Civil Service HR's demand for improved data analytics is rightly one of the primary drivers for the Cabinet Office's "Digital Strategy for Analysis & Insight". However, this need not be 'future strategy' as existing commercial applications could greatly improve recruiting and employment now by cohering and allowing analysis of dispersed departmental personnel data.
72. **Generating a cadre of trained C3 personnel.** *"Departments would value the centre taking on a more active coordination role, particularly for recruitment and training, to minimise duplication of effort and competition for candidates"* (EU Exit P1LL). There is, as yet, no generic standard of C3 competency across Government. This places additional costs on the preparation for events such as YH, with departments needing to recruit staff, then induct and train them for their duties. The CCS's proposal for a progressive hierarchy of C3 qualifications would provide the Government with a ready pool of trained personnel and improve cross-Government readiness for an event such as Brexit, particularly when matched by coherent doctrine and common procedures. The Government could also consider a more formal pool of reservists able to support civil emergencies or extraordinary events.

Dashboard

Recommendation 12: Simple automation and spreadsheet coding skills should be standard within teams, and recruited and trained for (fast-stream etc). Advice and expertise or procurement of external help for more complex versions (e.g. integrating Private Office/Press Office correspondence, diaries, and stakeholder CRM systems), should be easily and quickly available from GDS.

Recommendation 13: Transparency must be the default for projects involving data collection from multiple sources across Whitehall, supported by intelligent users, the best technology, and sensibly managed risk.

Recommendation 14: Clear purpose and user requirements, agreed by all stakeholders, should be resolved from the outset of projects to drive accountability.

Summary

“A number of interviewees highlighted the lack of a ‘portfolio risk’ approach to EU Exit. There was no commonly understood definition of the risks or a single aggregate view, i.e. one risk register” (EU Exit P1LL)

73. XO changed the demand and need for daily up-to-date information on no deal preparedness: time, detail, pace and reliability. The Cabinet Office and No10 needed daily access to consistent information across departments, and the ability to track progress. While DEXEU had already been collating reports from departments on a monthly basis it was only after senior ministerial and No10 requests that a dashboard was created to provide a single source of truth and enable real time tracking of milestones. It was used in XO meetings and drove some behaviour change across Government. While it is still being developed and improved it fell short of the types of tracking tools now common to complex delivery:

- a. entering and presenting data *remained largely manual* - wasting time that is better spent on analysis;
- b. the format gave the appearance of objectivity to subjective assessments; encouraged category error comparisons;
- c. limited access meant the full potential of transparency was not realised: self-improving information, accountability, default knowledge-sharing (“*To maximise their usefulness, reporting materials should be shared more widely*”, (EU Exit P1LL)

Systemic problems revealed

74. The challenges and benefits of producing the Dashboard reflect the need for a more urgent cultural change to increase digital maturity and investment in order to use data effectively to track and help HMG deliver complex projects with multiple stakeholders.

75. **The need to use automated information flows across Whitehall.** Any project with routine, predictable, high-volume, information should automate as much as possible, freeing teams to focus on the analysis and informed judgements. The DEXEU team responsible for the Dashboard required 5FTE to manually upload, collate and check returns from departments on a daily basis, with large amounts of time spent on basic quality checks and assurance. Automation, which is intended to be delivered in the next phase for the Dashboard, would have allowed departments to input information directly, freeing up resources to focus on analysis and scrutiny of the information.
76. **Data needs to be viewed as an asset rather than a burden.** Clarity of purpose provides an incentive, as does communication of successes. Daily manual reporting is intensive and thankless unless its use and contribution is clear. The quality and reliability of the information captured and presented on the Dashboard varied because its value wasn't explained. Providing a clear specification and purpose, with involvement and buy in from all users at the outset, would have led to a better more useful data source from the outset.
77. **Accountability and transparency drove improvement.** As XO meetings progressed and senior officials and ministers were held to account for the dashboard information visible to all, data quality improved. Teams responsible for collating the returns observed increased interest and involvement of departmental SROs, who could be directly and immediately held accountable for any inaccurate or unclear entry. While accepting there are often security considerations to be taken into account, visibility of the whole dashboard drove consistency and quality, with the standard for all set by the best.
78. **A lack of technical capability and comfort with AI and data analysis.** HMG lacks technical capability in coding spreadsheets to automate updates and support programme portfolio management (prioritisation, escalation, analysis). External expertise may have been better suited to the scale of Brexit preparation, but procurement processes were typically unwieldy. We should in future ensure that the Government Digital Service has sufficient internal technical resources available for immediate deployment to high priority projects. There should also be clear agreement about how such support will be funded, which must be designed to minimise administrative overheads.

Consulted for this review:

Dept	Role
Borders	
Cabinet Office	Trade Secretariat
DEXEU	DPI - Borders
Home Office	Private Secretary
HMT	Customs Policy
HMRC	Customs EU Exit policy
HMRC	Customs and Border Design, Customer Strategy & Tax Design
HMRC	EU Transition Unit
BDG	Borders
DfT	Central EU Exit Team
Defra	Private Secretary
Cabinet Office	Private Secretary
Regional/sector Economic Support	
HMT	EU Exit; Growth and Productivity
BEIS	Business Investment and Growth
DEXEU	DPI
EU Funding	
BEIS	EU Funding
CO Grants	Grants Management
MHCLG	EU Programmes and Urban Policy
DEXEU	Economy Team
HMT	International Group
HMT	EU Funding
DWP	EU Social Fund

Dashboard	
DEXEU	DPI
Government Digital Service	Head of Gov.uk
Clearing Hub	
Cabinet Office	HR and Shared Services
CCS	Clearing Hub lead
HR leads from relevant departments	HR

Glossary

BDG - Border Delivery Group. Whitehall team, sitting in HMRC but reporting to both John Thompson and John Manzoni. Also provides advice to senior ministers, such as CDL and DExEU SoS as required.

BPEG - Border Planning Executive Group. The cross-Whitehall official-level borders governance group, chaired by Shona Dunn, Second Permanent Secretary, Home Office.

C3 - Command, Control and Coordination.

CCS - Civil Contingencies Secretariat. Part of the National Security Secretariat, responsible for crisis response including overall responsibility for Operation Yellowhammer and the Clearing Hub.

Clearing Hub - CCS administered, central coordinating point for redistributing staff across Whitehall to fill priority EU Exit posts.

EU P1LL - EU Exit Part 1 Lessons Learnt Review. Review conducted in mid-2019 on planning for March/April Exit.

Grants - Below - An explanation of selected EU/Future UK grants.

Cabinet Office Grant Management Function - Cabinet Office team responsible for the **Government Guarantee**, the pledge made by the Government to fully match previously agreed EU funding to UK based projects in the event of a No Deal Exit.

Horizon 2020 - The 2014-2020 EU funding programme for Science and Research, with a total value of €79 billion.

Industrial Strategy Challenge Fund - Existing UK fund. For investment in research, development and innovation in order to tackle the major industrial and societal challenges based the four 'grand challenges'; Artificial Intelligence and data, Ageing society, Clean growth, Future of mobility

Shared Prosperity Fund - Proposed Government fund to replace EU structural funding after Exit to 'reduce inequalities between communities'.

LRF - Local Resilience Forum. Multi-agency partnerships made up of local public services including the emergency services, local authorities, the NHS, the Environment Agency and others. LRFs plan and prepare for localised incidents and catastrophic emergencies. They work to identify potential risks and produce emergency plans to either prevent or mitigate the impact of any incident on their local communities.

LVCR - Low Value Consignment Relief. Optional VAT relief designed to speed up the transit of goods under £15 through the postal system.

MFF - Multiannual Financial Framework - the seven year plan setting out the EU Budget. Current MFF runs from 2014-2020.

Project Kingfisher - HMT administered programme to provide emergency, short-term funding to long-term financially viable businesses, struggling because of temporary disruption due to a No Deal Exit.

Project Starling - DExEU coordinated programme to ready businesses for EU Exit to mitigate both the impacts of No Deal Exit and wider economic impact to trade and jobs.

RoRo - 'Roll on, Roll Off'. When freight is driven onto and off a ship/train - as opposed to 'Lift on, Lift off' where containers are lifted by cranes.

XO - EU Exit (Operations) Cabinet Committee. Cabinet Committee, chaired by the Chancellor of the Duchy of Lancaster, established to oversee preparations for a no-deal exit. Composed of core attendees as well as relevant departments and DAs depending on topic. Made up of ministers and senior officials. Met daily from establishment in June until October.

XS - EU Exit (Strategy) Cabinet Committee. Cabinet Committee established to oversee and make decisions on strategy matters related to No Deal Exit. Composed of core attendees as well as relevant departments depending on topic. Made up of ministers and senior officials.

YH - (Operation) Yellowhammer. Government operation led by the Civil Contingencies Secretariat to mitigate the worst impacts of No Deal Exit