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FUTURE CAP FUNDING/SUPPORT

Thank you for the joint letter you sent with Roseanna and Lesley on May 24th following your previous letter from March 23rd.

It is my understanding that officials from our respective departments discussed the issues raised at a meeting on 18 April. The issue was, I know, also discussed briefly at our Ministerial meeting on 14 May in Edinburgh. I hope the attached annex will provide a helpful summary of where we stand on these issues.

I am copying this letter to Roseanna, Lesley, and our other colleagues the Cabinet Secretary for Finance and the Constitution, the Cabinet Secretary for Finance and the Chief Secretary to the Treasury.

With every good wish,

Michael Gove
Annex

Pillar 1

2018 Scheme Year

Q1. Can the UK Government confirm that under the proposed EU-UK transition arrangements administrations will be able to make full drawdown of EU funds for the 2018 scheme year, which would be drawn down from the 2019 EU budget, even when payment and drawdown will be after the UK's exit day from the EU, and if not, that these lost EU funds would be fully replaced by UK Government funding?

A1. The draft withdrawal agreement includes an implementation period during which the UK will participate in all 2014-2020 EU programmes until they close. This therefore covers Pillar 1 up to and including the 2019 scheme year. If no deal is agreed, the existing UK Government guarantees, detailed below, will continue to stand:
   • All structural and investment fund projects signed before the Autumn Statement 2016.
   • Structural and investment fund projects signed after the Autumn Statement 2016 and before we leave the EU, so long as they are good value for money and in line with domestic strategic priorities.
   • The payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis for EU funding projects while we remain in the EU.
   • The current level of agricultural funding under CAP Pillar 1 until 2020 (includes BPS 2019).

2019 Scheme Year

Q2. Can the UK Government confirm that under the proposed transition agreement, administrations will be able to make full drawdown of EU funds for the 2019 scheme year, which would be drawn down from the 2020 EU budget, and if not, that these lost EU funds will be fully replaced by UK Government funding?

A2. See A1 above.

2020 Scheme Year onwards

Q3. The draft agreement on the withdrawal of the UK from the EU (Article 130 (1)) states that the Direct Payment Regulation (EU) No 1307/2013, shall not apply to the UK for claim year 2020. Can the UK Government confirm that lost EU funds for the 2020 scheme year and subsequent years will be fully replaced by UK Government funding?
A3. The manifesto commitment maintains annual cash farm funding until the end of the parliament, but (beyond the 2019 scheme year) it is for the DAs and Defra to design and implement their own schemes.

**Pillar 2**

*For contracts signed before exit day*

Q4. *Can the UK Government confirm at what point the EU funding stops, is this at the end of an EU/UK transition period; when the 2014-2020 allocation has been exhausted; or at n+3?*

A4. EU funding will continue until 2023 or until the funding is exhausted if sooner.

Q5. *Can the UK Government confirm that administrations will be able to make a full drawdown of funds for the lifetime of the project, even if that is beyond the next UK elections and beyond the point that the 2014-2020 allocation has been exhausted, which may or may not be before n+3?*

A5. The UK Government has guaranteed to fund projects signed before exit for the lifetime of the project.

*Multi-annual or one off contracts signed after exit day but before 31 December 2020*

Q6. *Can the UK Government confirm at what point EU funding will stop?*

A6. Under the implementation period, contracts signed between Exit and December 2020 will be funded by MFF 2014-20 until 2023 or until those funds are exhausted if sooner. If no deal is agreed, only projects signed before exit day are within scope of the UK government guarantee.

Q7. *Can the UK Government confirm whether they will guarantee to replace EU funding for the lifetime of these projects, even if that is beyond the next UK elections and beyond the point that the 2014-2020 allocation has been exhausted, which may, or may not be before n+3?*

A7. The manifesto commits the same cash total in funds for farm support until the end of the Parliament. It is for each administration to design and implement their own schemes using this funding, with projects signed across SR periods at their own risk (as in other policy areas).
Q8. For contracts signed after 1 January 2021 - can the UK Government confirm that there will be no EU funding available?

A8. Yes, Defra can confirm that no EU funding would be available.

Q9. For contracts signed after 1 January 2021 - can the UK Government confirm that it will guarantee to replace the lost EU funding, for the lifetime of the projects?

A9. It is for Defra and the DAs to decide what contracts to enter into and fund. The manifesto commitment will maintain annual cash funding to 2021-22.

Q10. Can the UK Government clarify the funding arrangements that will apply to contracts signed between exit day and 30 December 2020?

A10. See A6 and A7 above.

European Maritime and Fisheries Fund

Q11. In light of the proposed EU-UK transition arrangements, will the EU now fund EMFF commitments to the end of 2020 (i.e. the envisaged end of transition and natural end point of the EMFF programme)?

A11. Yes funding would continue until the closure of the 2014-2020 EMFF programme. It is expected that EMFF will continue to be open for new projects until 2020.

Q12. If so, will the EU also fund spend against EMFF commitments to 2023 (as per the current rules of the programme)? If not, will the UK Government confirm that it will replace the lost EU funds?

A12. EU funding stops at the end of 2023 unless funds have been exhausted prior to that point.

Q13. Given the UK Government’s statements that the UK will be leaving the CFP in March 2019, will the EU honour the UK’s continued participation in the EMFF (honouring commitments to end 2020 and spend to 2023) despite the fact that adherence to the legal requirements of the CFP is a condition of EMFF participation?

A13. Under the implementation period the UK will remain in CFP until December 2020, so the UK will continue to participate in the 2014-2020 EMFF until it closes. In this scenario, Defra would expect EMFF to be open until 2020 and so therefore spending until 2023 (unless the funding is exhausted sooner). However, if no deal is agreed only projects signed before exit day are within scope of the UK government guarantee.
EU Competitive programmes: LIFE, Horizon 2020, Interreg Va

EU funding benefits the devolved administrations significantly. We are active and valued partners in a large number of EU research collaborations on the environment, agriculture, fisheries and related areas, and have secured significant funding from EU research programmes as a result.

While the UK Government's guarantee on competitive funding is welcome as far as it goes, it fails to recognise what we would otherwise have received as continuing members of the EU.

Q14. Can the UK Government confirm that there will be continuation of access to EU competitive programmes after the UK leaves the EU? Under what conditions?

A14. Under the implementation period, UK entities' right to participate in 2014-2020 EU programmes will be unaffected by the UK's withdrawal from the EU. UK-based organisations and people will be able to bid for funding, participate in and lead consortia, in 2019 and 2020. Beyond 2020, the Prime Minister has been clear that the UK will want to continue working with the EU to promote the long-term economic development and security of the continent. This could include participating in EU programmes, such as those that promote science, education, culture and mutual security, external relations, development and humanitarian aid. This will be a matter for ongoing UK/EU negotiations.

Implementation of systems currently and services currently provided at EU level done at EU level

Q15. Can the UK Gov set out how the question around the costs to put in place systems currently done at EU level will be addressed. These are currently funded out of the UK's EU budget contribution, but will in future need to be done within the UK. How will this be financed?

A15. UK government departments have received additional funding from HMT to prepare for EU Exit and, where this covers areas that are devolved, the DAs have received additional funding through the Barnett Formula.

Q16. There are a number of smaller, but important areas of funding and services which we currently receive, for example, Common Market Organisation Schemes, eradication fund for Animal Health (TB eradication programme) and plant health fund. How will these services be financed going forward?

A16. Defra expect these issues to be considered as part of the 2019 Spending Review.