

Briefing: Funding Guarantees

Top Lines

- It is vital that we get a clear statement about precisely what is guaranteed post-Brexit to support our rural economy.
- [redacted]
- While we welcome the UKG commitment to covering farm support funding for the duration of the current Westminster Parliament, there are still a number of unanswered questions about CAP.
- SG continue to call for a clear and comprehensive statement on CAP funding guarantees including the non-farm support elements, Scotland should not lose out on any EU funding, we should have the CAP convergence monies and all powers to decide how to use any funding should be fully devolved.
- SG considers that UKG should replace all lost EU funding under the CAP – both Pillars. We are concerned that ‘farm support’ may mean that from 2019/20 to 2022 UKG’s funding commitment will only cover Pillar 1 payments and farming elements of Pillar 2.
- There are non-farming elements of Pillar 2 that are vital for Scotland’s rural economy including forestry, LEADER and support for the food and drink sector. These sectors must not be disadvantaged by Brexit.

Summary of funding guarantees and commitments to date

- Following Mr Gove’s speech of 4 January 2018, at the Oxford Farming Conference, it might appear from the press coverage there has been a shift from the previous funding guarantees provided by the UK Government. However, despite what is being reported, no such shift has actually occurred.
- [redacted]
- Mr Gove’s speech last week re-announced the existing commitment to cash terms protection for farming support out to 2022 (covering the two years beyond any Brexit transition period where we would still be accessing current EU funding schemes)
- The speech went on to outlined the shape of a new framework for England that is likely to be adopted post 2022 - subject to consultation and further detail being provided in a command paper later in the Spring
- [redacted]

- It provides no mention of how Mr Gove intends to fund such guarantees- to date, UK Treasury have not provided confirmation that backs this intention.
- [redacted]
- In summary it appears that CAP Pillar 1 and LFASS which are deemed 'farm support' will be supported until the end of the UK Parliament (which is an undefined date). The EU element of Pillar 2 contracts entered into by the point of Brexit will be guaranteed for the lifetime of the project, for all schemes. However, there are no clear guarantees post-Brexit and UKG have stated that officials will to discuss the details, including what is termed as farm support.

Detail of funding guarantees and commitments to date

CAP Pillar 1 (direct payments to farmers) and LFASS:

- UKG has guaranteed to replace any lost EU funding for farm support till the end of the UK Parliament. But it is not clear for what period this will cover. Firstly, the end of the UK Parliament is expected to be 2022, however, this is not certain. Secondly, it is unclear whether the reference to 2022 is the Single Application Form (SAF) year, or payment year. Mr Gove's letter states 'we will work with the devolved administrations and other key stakeholders as we consider how this is delivered'
- Also the UKG guarantee refers to the overall budget for farm support and not the funding of any individual schemes, although Mr Gove's letter does state that there will be flexibility.

CAP Pillar 2 (rural development programme):

- Up to the date of exit, UKG has guaranteed to replace any lost EU funding for contracts signed pre-Brexit but whose payments continue post-exit. This is for all farming and non-farming schemes and for the life of the contracts (which can be up to nine years).
- After exit, the UKG guarantee to maintain the total budget for farm support till the end of this UK Parliament means that:
 - a) for parts of Pillar 2 which UKG deems to be farm support, we would be able to continue signing new contracts post exit but it appears that any payments under them would not be guaranteed after the end of the UK Parliament in 2022. This means any EU funding towards longer term contracts would not be covered, beyond the UK Parliament. For example, an agri-environment contract signed in late 2019 would have payments till 2025, and forestry up to 2019.
 - b) for any parts of Pillar 2 which UKG deems not to be farm support, there is no guarantee at all after exit day. UKG says process for deciding what is classed farm support will be discussed by officials at Treasury's EU Exit Co-ordination group, in which SG participates, though no details of process or timeframe have been provided. If officials are unable to secure clarity from HMT on either process or timescales for these discussions, Ministers may

wish to remit their concerns to discussion at a ministerial level, particularly on the point about the need to secure a timescale for defining the scope of the 'farm support funding' commitment in order to ensure certainty for rural businesses. The parts of the SRDP affected by this uncertainty could be forestry, food and drink, LEADER, broadband. If farm support is deemed to only mean direct income support, then it could also impact on new entrants, crofters, knowledge transfer and innovation, agri-environment.

- For both Pillars, the UKG has said its guarantee means we will get the annual average EU and Exchequer funding. Officials will analyse whether this formula is likely to be sufficient to meet our planned spending.

UKG Post-Brexit Plans for Agriculture

- The details of the UKG Agriculture Bill, which was announced in last year's Queen's Speech, will greatly affect post-Brexit planning for the agricultural industry.
- We have been pressing the UKG for details of this Bill, which at present – and unless Scottish and Welsh Government amendments to the EU (Withdrawal) Bill are adopted – would seem to affect the policies of the DAs.
- At the ministerial meeting between Defra and the DAs on 14 December 2017, Mr Eustice noted that the Agriculture Bill white paper is due to be published in the Spring, with the Bill due to be introduced before Summer Recess, and will include powers for England (the broad intentions for which were set out in Mr Gove's speech).
- At the same meeting, Mr Gove noted that the scope of the transition detail would be decided between now and March.
- Despite repeated requests, we have received nothing further from Defra regarding either the content of the UKG Agriculture Bill, or details of the proposed transition period.