



Department
for Environment
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The Earl of Kinnoull
Chairman
Select Committee on the European Union
House of Lords
London
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3 August 2020

Dear Lord Kinnoull,

EM 7707/20: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU) NO 1305/2013 AS REGARDS SPECIFIC MEASURES TO PROVIDE EXCEPTIONAL TEMPORARY SUPPORT UNDER EAFRD IN RESPONSE TO THE COVID-19 OUTBREAK

Thank you for your letter of 15 July concerning our Explanatory Memorandum on the above proposal in which you sought further information about its possible implementation across the four nations of the United Kingdom.

Firstly, I would like to update your Committee on progress of this dossier. The proposal has now been approved by the Council and the European Parliament and was published in the Official Journal as EU Regulation 2020/872, coming into force on 24 June. The final Regulation was unchanged in principle from the original proposal but the following changes were made:

- The lump sum rate for farmers was increased from €5,000 to €7,000 (£4,562 to £6,387 - Exchange rate €1 = £0.91243 (@30 June 2020). The lump sum rate for SMEs engaged in food processing remained unchanged at €50,000.
- The percentage of envelope available for Programmes in each Member States has been increased from 1% to 2%.
- The date by which payments could be made has been extended from end of this year to end June 2021, although projects would need to still be approved by the end of this year.

In response to your questions, I can confirm that any European Agricultural Fund for Rural Development (EAFRD) funds unused at Programme closure would be surrendered back to the EU. However, we are working to ensure that where possible all EU funds are used to deliver environmental, social and economic benefits through the programme schemes. In relation to your other questions about uncommitted budgets, possible implementation

and any domestic funding for the farming and food sectors across the UK, further information is set out in the Annex to this letter.

You will note that, in response to your question about the intention to implement within the UK, only Scotland has made a firm decision (they have decided not to implement any schemes under the regulation) and that for the other parts of the UK this is still subject to consideration. We will provide you with a further update once all administrations have reached final conclusions on this matter. We also have a similar ongoing obligation to inform the House of Commons on this issue.

I am copying this letter to Sir William Cash MP, Chairman of the European Scrutiny Committee. I am also copying this letter to the Clerks of the Commons and Lords Committees, Jessica Mulley and Chris Johnson respectively; Les Saunders, Cabinet Office; and Steve Wigham, Defra Scrutiny Co-ordinator.

Yours sincerely,



VICTORIA PRENTIS MP

POSITION WITHIN UK

England - Department for Environment, Food and Rural Affairs

Uncommitted funds and details of those that could be available without any repurposing	Over 91% of the £3.5bn budget for the RDPE is now spent or legally committed, with the bulk of the remainder allocated to meeting the costs of the final year of EU-funded Countryside Stewardship agreements. Beyond this, Defra has £61.7m uncommitted within the RDPE Growth Programme budget and £32.3m within the Countryside Productivity budget. The final round of the Growth Programme closed in February and attracted Expressions of Interest totalling over £350m. The Rural Payments Agency is now receiving and appraising Full Applications under this scheme, which is expected to be fully subscribed. Defra is expecting the use the remaining Countryside Productivity budget to run a third and final round of the successful and popular Small Grants scheme this autumn, along with a number of other smaller schemes. Defra would, therefore, have to revise planned funding activities to make use of the new EU Regulation.
Plans on possible implementation of Regulation 2020/872; and details of eligibility and selection criteria	Whether and how the new EU regulation might be used in England is still under consideration. Defra have discussed the regulation with key stakeholders, including the NFU and CLA, but no expressions of interest in pursuing a scheme have so far been raised.
Domestic support provided to the farming and food sector (incl. farmers and SMEs)	The Government has provided substantial support for UK businesses, including those in the farming and food processing sectors, to help them to cope with the immediate impacts of Covid-19. In addition to this. Defra has taken a number of steps to help farmers and other rural businesses affected by Covid-19, including extending application and claim deadlines for some RDPE schemes and deferring on-site inspections before paying claims, and extending claim deadlines. A new dairy response fund also opened for applications on 18 June. This will provide up to £10,000 each to help those dairy farmers most in need of support to sustain their business.

Northern Ireland - Department of Agriculture, Environment & Rural Affairs

Uncommitted funds and details of those that could be available without any repurposing	The Northern Ireland Rural Development Programme (NIRDP) expenditure is closely and regularly monitored. Given that commitments can continue until 2023 (or until funds are exhausted) it is anticipated that the full allocation of European funding will be committed by 2023, subject to business case approval for the national element of future tranches of NIRDP schemes.
Plans on possible implementation of Regulation 2020/872; and details of eligibility and selection criteria	The lump sum proposal, including eligibility and selection criteria requirements, is being carefully considered before the DAERA Minister decides if the regulation will be implemented in Northern Ireland.
Domestic support provided to the farming and food sector (incl. farmers and SMEs)	In Northern Ireland, Minister Edwin Poots announced two support to support the agri food sector and rural communities. Both are nationally funded and outside the Northern Ireland Rural Development Programme: Firstly, a <u>£25m COVID-19 financial support</u> package for businesses to help offset the losses incurred as a result of short-term market disturbance due to Covid-19. £21.4m of the £25m support package is aimed at those businesses in the beef, dairy, sheep, potato and ornamental horticulture sectors that have been hardest hit financially and those in most immediate need as a direct result of the Covid-19 pandemic. Rates of compensation for losses incurred have been set at 100% or 80% - depending on the nature of the business and other support already available. The breakdown of the £21.4m (indicative figures) is as follows: • Support for the Beef Sector - £7m (100% losses covered) • Support for the Dairy Sector - £11m (80% losses covered) • Support for the Sheep Sector - £232k (100% losses covered) • Support for the Potato Sector - £1.2 – 1.6m (80% losses covered) • Support for the Ornamental Horticulture Sector – £1.2m - £1.6m (80% losses covered)

	Of the remaining budget £3.6m this has been combined with a further £3.6m (reprioritised internally within my Department) which would allow DAERA to address any additional issues and challenges Covid-19 may present in the future. Then, a £4.5m package under Tackling Rural Poverty and Social Isolation Programme (TRPSI) is helping around 50,000 vulnerable and isolated people in rural communities to stay home and stay safe during the COVID-19 pandemic. The package was aimed at easing the burden and worries of those in rural communities and rural businesses, and at finding new and innovative solutions to the unique problems created by COVID-19.
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Scotland - Scottish Government

Uncommitted funds and details of those that could be available without any repurposing	Out of the total £1.22 billion budget for the Scottish Rural Development Programme (SRDP) £1.09 billion has now been committed. With the vast majority of budget committed and with on-going pressures on Scottish Government (SG) budgets there is very limited flexibility for the remainder of programme to now divert funding to a Covid response. The SG have worked closely with the agricultural and the wider rural sector to mitigate against any potential impacts of Covid restrictions on delivering our commitments. This has enabled us to continue to administer payments across our varied SRDP schemes.
Plans on possible implementation of Regulation 2020/872; and details of eligibility and selection criteria	It is the SG's position that they do not intend to pursue this option. Information on this proposal has previously been shared with stakeholders but to date they have had no calls to redirect the SRDP funding in this way. As this is not new funding and there is limited funding available in the programme to divert to this cause, any diversion of funding would risk our ability to meet SG targets for SRDP schemes. The guidance on using this measure is very clear in that any anticipated beneficiaries/sectors must demonstrate how they have been unprecedentedly impacted by the COVID crisis. It is not clear at this time if the evidence would be available to justify an introduction of this measure in order to gain EC approval.

Domestic support provided to the farming and food sector (incl. farmers and SMEs)	The SG's main priority for responding to the Covid-19 pandemic has been to get payments out across all CAP schemes. The payment targets for 30 June were met well ahead of the deadlines with over 95.24% of claims paid out for all Pillar 1 & 2 schemes, including those schemes that operate solely in Scotland i.e. Less Favoured Area Support Scheme, to those in our remote and fragile areas.
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Wales - Welsh Government

Uncommitted funds and details of those that could be available without any repurposing	As at June 2020 project level commitment stands at £701.6m, representing 84% commitment in funds. A re-planning exercise is underway to fully commit the remaining funding and it remains our intention to fully spend the RDP funding within the existing timetable (31 December 2023).
Plans on possible implementation of Regulation 2020/872; and details of eligibility and selection criteria	The Welsh Government has not made a decision on the use of the provisions under the lump sum measure. The Welsh Government continues to assess the agricultural markets in collaboration with the UK Government and DAs, and there is no identified need at this time. This will remain under consideration as a result of the emerging impacts of Covid-19.
Domestic support provided to the farming and food sector (incl. farmers and SMEs)	The Welsh Government launched a Dairy Support Scheme on 18 June, using domestic funds, to support those dairy producers hardest hit by the recent exceptional market conditions due to Covid-19. Eligible producers will be entitled to up to £10,000 to cover 70% of their lost income, to help them to continue to meet fixed costs and sustain production capacity without impacts on animal welfare and the environment.