

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT AGRICULTURE (LEGISLATIVE
FUNCTIONS) (EU EXIT) REGULATIONS 2019

DRAFT COMMON AGRICULTURAL POLICY
(FINANCING, MANAGEMENT AND MONITORING)
(MISCELLANEOUS AMENDMENTS) (EU EXIT)
REGULATIONS 2019

DRAFT COMMON AGRICULTURAL POLICY
(FINANCING, MANAGEMENT AND MONITORING
SUPPLEMENTARY PROVISIONS) (MISCELLANEOUS
AMENDMENTS) (EU EXIT) REGULATIONS 2019

DRAFT COMMON AGRICULTURAL POLICY AND
AGRICULTURE AND HORTICULTURE
DEVELOPMENT BOARD (AMENDMENT ETC.)
(EU EXIT) REGULATIONS 2019

Monday 25 March 2019

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Friday 29 March 2019

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The Committee consisted of the following Members:

Chair: DAVID HANSON

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|---|---|
| † Bruce, Fiona (<i>Congleton</i>) (Con) | † Pollard, Luke (<i>Plymouth, Sutton and Devonport</i>) (Lab/Co-op) |
| † Burns, Conor (<i>Bournemouth West</i>) (Con) | † Rashid, Faisal (<i>Warrington South</i>) (Lab) |
| † Debbonaire, Thangam (<i>Bristol West</i>) (Lab) | † Reeves, Ellie (<i>Lewisham West and Penge</i>) (Lab) |
| † Drew, Dr David (<i>Stroud</i>) (Lab/Co-op) | † Seely, Mr Bob (<i>Isle of Wight</i>) (Con) |
| † Eustice, George (<i>Camborne and Redruth</i>) (Con) | † Stewart, Iain (<i>Milton Keynes South</i>) (Con) |
| † Goodwill, Mr Robert (<i>Minister for Agriculture, Fisheries and Food</i>) | † Streeting, Wes (<i>Ilford North</i>) (Lab) |
| † Heald, Sir Oliver (<i>North East Hertfordshire</i>) (Con) | † Western, Matt (<i>Warwick and Leamington</i>) (Lab) |
| † McLoughlin, Sir Patrick (<i>Derbyshire Dales</i>) (Con) | Ben Street, <i>Committee Clerk</i> |
| † Newlands, Gavin (<i>Paisley and Renfrewshire North</i>) (SNP) | |
| † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) | † attended the Committee |

Fourth Delegated Legislation Committee

Monday 25 March 2019

[MR DAVID HANSON *in the Chair*]

Draft Agriculture (Legislative Functions) (EU Exit) Regulations 2019

4.30 pm

The Minister for Agriculture, Fisheries and Food (Mr Robert Goodwill): I beg to move,

That the Committee has considered the draft Agriculture (Legislative Functions) (EU Exit) Regulations 2019.

The Chair: With this it will be convenient to discuss the draft Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019, the draft Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 and the draft Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019.

Mr Goodwill: We are all keen to get on today, are we not? I welcome a star-studded cast of Members on both sides of the Committee, especially my immediate predecessor, my hon. Friend the Member for Camborne and Redruth. For any particularly difficult questions that I cannot answer, and my officials cannot enlighten me on, I am sure that we can rely on him.

As a farmer myself, and given the family business's participation in an agri-environment scheme, I mention my entry in the Register of Members' Financial Interests.

The matters in the four draft statutory instruments are closely related, and I thank the Committee for taking the logical and sensible step of considering all four together. With a number of small exceptions, which I will explain shortly, the regulations will make purely technical amendments. The amendments are necessary to address European laws being brought on to the UK statute books in a partially inoperable form and to enable the common agricultural policy and the Agriculture and Horticulture Development Board legislation to continue to function as it does today.

The instruments are not solely required in a no-deal scenario and, in the event of an agreement, they will ensure that the current legislation remains operable at the end of any implementation period. The statutory instruments will ensure that the UK Government are able to meet their commitments to funding in the agricultural sector. The Government have pledged to continue to commit the same cash total in funds for farm support until the end of this Parliament, which is expected in 2022, and that includes all funding provided for farm support under both pillar one and pillar two of the current CAP. That commitment applies to the whole of the United Kingdom.

The UK Government have guaranteed that the existing level of agricultural funding under CAP pillar one will be upheld until 2020 as part of the transition to new domestic arrangements. The UK Government have also

guaranteed that any rural development projects for which funding has been agreed before the end of 2020 will be funded for their full lifetime.

As the Committee is well aware, agriculture and fisheries are devolved policy areas, and are of special importance for all parts of the UK. We have worked closely with the devolved Administrations to produce the draft instruments, and they place great importance on them. They have given their consent to the instruments.

I will outline the three CAP draft statutory instruments in turn. They will enable regulations to continue to operate effectively. They do not introduce new policy, and they preserve the regime for supporting CAP beneficiaries. Amendments in the instruments include omitting redundant references to the "European Commission" and "member states", and amending references to "Union law" throughout, so that the retained European Union regulations continue to operate effectively as part of national law.

One purpose of the modifications is to ensure continuity and clarity as to who is responsible for the implementation and administration of the CAP schemes. The obligations and discretions currently placed on member states will continue to be exercised after exit by relevant authorities in the United Kingdom. In that context, a "relevant authority" is the Secretary of State, Scottish Ministers, Welsh Ministers and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland.

The draft Agriculture (Legislative Functions) (EU Exit) Regulations 2019 amend five different EU regulations that give the European Commission powers to change existing legislation relating to the financing, managing and monitoring of the CAP, direct payments, the rural development programmes and the fisheries programme funded by the EMFF, the European maritime and fisheries fund. The five regulations work together to provide the necessary powers to ensure the smooth functioning of the CAP and EMFF-funded fisheries schemes in the light of economic, scientific and environmental changes. For example, the Commission is currently empowered to make legislation adding to a list of practices equivalent to crop diversification in the light of developments in the sector. The regulations also provide powers to, for instance, update the model used to estimate the net revenue of an EMFF or rural development project if a more accurate model becomes available.

As its title suggests, the instrument makes amendments to confer existing legislative powers on the appropriate authorities, which as I have mentioned are either the Secretary of State or the relevant Administration of each constituent nation. The amendments largely consist of replacing references to "the Commission" with "the appropriate authority" or "the Secretary of State." The instrument also contains operability changes relating to the EU financial discipline mechanism. That mechanism ensures that the pillar one budget, which is the budget for direct payments and agricultural market measures, is not exceeded. It works by reducing the value of direct payments if forecast expenditure on pillar one exceeds a predetermined budget.

The SI makes changes to prevent the financial discipline mechanism becoming inoperable. As agriculture is devolved, the Administrations have each assessed what amendment is appropriate to remedy that inoperability. Devolved Administrations have chosen to omit the financial discipline mechanism, whereas England has chosen to use the

powers contained in the European Union (Withdrawal) Act 2018 to make financial discipline operable on an England-only basis. For England, operability amendments are made to financial discipline provisions, to ensure that the mechanism is compatible with existing EU domestic funding practices. That does not constitute a new policy, as that mechanism currently applies in the EU.

The draft Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019 amend the retained EU law that sets out the overarching framework for how the CAP schemes function, governing the financing, managing and monitoring arrangements that underpin schemes. They remove the EU audit and accounting regimes, which would clearly no longer be appropriate for Exchequer-funded payments. Those regimes will be replaced by the domestic system that currently operates in parallel to the EU system, to provide equivalent assurances to our Parliament. Under that domestic system, current levels of checks and scrutiny regarding CAP payments will be retained.

The draft Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 make technical amendments to the supplementary regulations, which set out detail about the financing, management and monitoring arrangements for the CAP schemes. This instrument ensures the operability of five different pieces of EU law, making sure that the management and monitoring aspects of the retained EU legislation maintain current standards after exit. That includes setting out further detail about how checks to beneficiaries should be carried out, and how penalties should be applied to those found to be in breach of the legislation. The instrument also pertains to five other pieces of retained EU law. Four of those are implicitly tied to EU audit and accounting systems, which as I say will be replaced with the existing domestic equivalent. The final revoked piece of EU law relates to the EU policy monitoring system, which again will be replaced by our existing domestic policy evaluation process.

Finally, the draft Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019 make operability amendments to domestic regulations made under the European Communities Act 1972, and implement certain provisions of the EU common agricultural policy. I draw the Committee's attention to the fact that we re-laid the explanatory memorandum for this instrument on Thursday last.

In the memorandum that was withdrawn, paragraph 4—which deals with the instrument's extent and territorial application—stated that the amendments to the Agriculture and Horticulture Development Board Order 2008 apply to the UK. In fact, although parts of that order apply to the UK, the amendments proposed in relation to horticulture in this instrument apply to Great Britain, and those that relate to the red meat levy apply to England only. That reflects the territorial coverage that the levy body, the AHDB, has for specific sectors, which is now presented correctly in the explanatory memorandum. That correction has no impact, other than to align that memorandum with the instrument we are debating. I apologise for any inconvenience it has caused, although I am sure that most Members present had spotted that issue when preparing for today's Committee.

As well as operability changes to domestic regulations under the European Communities Act 1972, the SI also amends one order concerning the Agriculture and Horticulture Development Board to address two operability issues arising from the United Kingdom leaving the European Union. In one case, that has required us to make a small policy change. Currently, a minor levy exemption applies to livestock imported from another member state and slaughtered in England within two or three months of being imported. For continuity, we retain the exemption. To ensure that we are then in line with World Trade Organisation rules and are not favouring the EU, we are extending the exemption to cover any such livestock imported from the rest of the world. We expect that minor policy change to have little or no impact on the ground, given the very low levels of live imports from beyond the EU. Indeed, officials were hard-pressed to give me an example. One that came to my mind was a stock bull imported for breeding purposes that became infertile or injured and was then slaughtered here in the UK.

An alternative would have been to scrap the exemption altogether, but in the interests of continuity, we have left the situation changed. When we have left the EU, a UK Government could of course reverse the decision, taking advantage of the freedom people opted for in the referendum. DEFRA and the devolved Administrations have liaised with stakeholders regarding plans to make CAP retained EU law and existing domestic legislation operable at the point of EU exit. We have kept them informed of the SI's progress. With regards to financial discipline, DEFRA is liaising with stakeholders through a targeted engagement exercise to discuss the proposed new guidance, which will set out how pillar one spend should be apportioned towards England. Because the minor policy change to the AHDB order is expected to have little or no impact on the ground, as we believe the relevant circumstances rarely arise, we have consulted the levy board, but not other stakeholders.

The statutory instruments provide important and necessary continuity for stakeholders and beneficiaries. They will help to ensure that farmers, fishermen and land managers continue to receive payments that support their vital work. I urge Members to agree to the amendments proposed in the regulations, which I commend to the Committee.

4.42 pm

Dr David Drew (Stroud) (Lab/Co-op): I am delighted to serve under your chairmanship, Mr Hanson, and to welcome the Minister and the former Minister to their places. We are going to get doubled-barrelled explanations of everything that is going on.

I thought that last week I was getting to the nadir of my understanding of things, but these SIs are complex. In many respects, they are not controversial, but then, as the Minister rightly touched on, we get to the red meat levy. Those of us who were on the Committee in question spent a lot of time arguing whether it was appropriate, and the devolved Administrations do not necessarily agree with England on the issue. It would be interesting to know whether that has been properly worked through.

I refer back to the European Statutory Instruments Committee, which looked at the issue on 4 December. Its report quoted the instrument, which explains:

“Removing this levy will ensure that, following EU Exit, there will be equal treatment between the EU and the rest of the world

[Dr David Drew]

for animals imported for slaughter. Defra's estimate of the maximum financial impact to the AHDB caused by this change is a loss of c. £1,000 per year in levy, although it is believed that the amount actually collected by the AHDB in relation to the rest of the world imports are far lower than this and are probably nil."

The Minister touched on that. The moneys exchanged seem very limited. I do not know why we have any regulation relating to that, if it is so unimportant. Can he enlighten us a little?

I will start with some general questions, because some points need to be brought out early on. I hope the Minister will get some help from somewhere to answer them. I am always willing to accept written contributions, although I have not received any yet. We have had rather a lot of SI Committees, and so far I am yet to have anyone write to me saying, "You should look at this to understand that," or, "The Government intend to do this to move to that." It would be useful to get some contributions so that I at least know that I am along the right lines, or that the Government have done it in the right way.

Under the common agricultural policy, there are payment windows. We have a lot of arguments over them, because they are often breached, and farmers or landowners do not get the money that they should currently get within those windows. Do these regulations in any way change those payment windows? It would be interesting to know what the Government's contingency is if we were to crash out of the EU. Much of this is predicated on our having an Agriculture Bill in place. Sadly, it does not appear that there will be such a Bill in place, which has caused some consternation among the Opposition—let alone among Government Members—about what will happen if we are no further forward.

George Eustice (Camborne and Redruth) (Con): On that point, the hon. Gentleman is wrong. The Agriculture Bill is all about developing a future policy; these regulations, in common with all such regulations under the EU withdrawal Act, are about ensuring that the current EU scheme and retained EU law—including the common agricultural policy and all its provisions—are operable in the interim period.

Dr Drew: I agree with the hon. Gentleman, but there was supposed to be a seamless move from one to the other. It does not seem very seamless anymore; it seems rather senseless that we are unclear about where we are today—let alone where we will be in a week's time—in relation to where we would possibly be going in terms of the Agriculture Bill, of which we have heard nothing. We suppose that it will crash out of the Government's programme this year and we will have to revisit it again next year. We are not really going forward at a rate of knots.

Those who criticise the common agricultural policy—no doubt there are many in this room today—will question the fitness of the legislation as it stands and as it will stand tomorrow should these regulations go through. Farmers are calling for improved systems, so was this not the opportunity—notwithstanding what I said about payment windows—to look at how the system would be improved? Throughout the Agriculture Bill, I have called for the scrapping of the Rural Payments Agency and for

its replacement with a new, purpose-built body. Unfortunately, we do not seem to have got any further with that.

My next question is about the limited consultation. Yes, it is true that farming organisations were consulted. However, given that we are moving towards environmental payments, it was really quite a narrow consultation. What about the different environmental organisations that have contributed, largely through the Green Alliance? As the Minister knows, they are very critical of this process and how it has been taken forward. Why were they not directly consulted about these statutory instruments? That would at least have been commensurate with the direction of travel.

I will make two more general points, before I comment on specific bits of legislation. Given our learned experience from having been a member of the CAP for 43 years, it would be useful to know why these SIs could not take account of some of the direction of change.

My last general point is about what the Minister said about there being a series of technical amendments. But this involves direct payments, which is one of the more controversial areas—as we know, through the Agriculture Bill—between the four home countries. When I talked to the Ulster Farmers Union and said, "Of course, we will be removing direct payments," its representatives basically intimidated: "Over our dead bodies!" They believe that direct payments have a strong and continuing role to play in keeping people on the land in Northern Ireland. Since we debated the issue during the Agriculture Bill, have we got any further forward on how we intend to deal with a very different approach? [Interruption.] If the Minister wants to intervene—

George Eustice indicated dissent.

Dr Drew: Sorry, the former Minister; I am still getting used to all the different roles being played.

I am intrigued about where we are with those four different approaches: Scotland has its own approach and did not want to make its statement through the Agriculture Bill; Wales is largely in common with England, but has made its own contribution to the changes; and, because there is no Administration in Belfast, we are not at all sure what Northern Ireland is doing. But let us go on to the three bits of legislation.

The draft Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019 again come down to money. I am interested to know whether the Government, through the SIs, will commit to exactly the same moneys being available today and tomorrow, regardless of what happens next week. It would be useful to know whether the Government are prepared to make that commitment of the £3.1 billion or £3.2 billion, which would work its way through to the system. As I said, the Ulster Farmers Union in particular is very clear about wishing to continue with direct payments. How does that impact on the way in which the other parts of the UK will respond?

The Soil Association, although not part of the direct consultation, looked at the issue. It is clear about welcoming the Government's direction of travel but, again, questions whether the draft SI makes any difference to the programme under which, starting in 2021, we gradually run down direct payments. That would be interesting to know in

connection with the draft SIs, given that we have no Agriculture Bill coming through. We are only talking about 18 months away now, so it is not way in the future—this is in the foreseeable future, and farmers are already making calculations about their investments.

The National Farmers Union brought up the point, which the Minister did not mention, that there are now criminal offences for breaching financial assistance schemes. Will he say something about that? The NFU is unhappy about it. Will these SIs mean that obstruction of a person acting in pursuance of the regulations could result in the farmer or landowner facing a financial penalty or worse? Again, some of the conflicts that arise out there are difficult to resolve without clarity of thinking and a much clearer explanation of the impact of these SIs.

The draft Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 largely concern the budget and the income-support system. One presumes that in the short run we will carry on with the existing structure, because we have no Agriculture Bill and because unless we give farmers the moneys that they thought they were getting, they would be at a distinct disadvantage in competing with other parts of the European Union—in particular in Ireland; Northern Ireland would not want to be at any disadvantage.

We laid down some pretty strong targets in the Agriculture Bill, but how does that relate to the draft statutory instruments? The Nature Friendly Farming Network, for example, wants much longer-term commitments on moves towards soil management, protection of water and the rest of it. Again, that is all wrapped up in the environmental management schemes, which are not part of these SIs, but unless we get things right, farmers will be at a disadvantage in the meantime.

The last instrument is the draft Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019. This has been mapped out and spoken about on many occasions by the Secretary of State, but the real issue is how to move from direct payments to environmental payments. Sustain in particular was worried about whether the new shared prosperity fund—the Minister will say that it is not affected by the SI, but that is contingent on the Government's direction of travel—will be administered by DEFRA or go to the Ministry of Housing, Communities and Local Government, as Sustain fears it might. Where will the moneys for environmental payments be set aside in the interim?

The Ramblers' Association has made some points about how cross-compliance will essentially alter things, come what may, because of how the Rural Payments Agency has itself been reformed. We know that there is a problem with countryside stewardship for various landowners—the hon. Member for Camborne and Redruth talked about that on the Agriculture Bill Committee, when he was the Minister. It would be interesting to know how that cross-compliance will operate not only through the new Bill, but with respect to the regulations before the Committee. They constitute the interim policy; if we do not get that right, farmers, landowners and environmentalists will be disadvantaged.

4.56 pm

George Eustice: I welcome my right hon. Friend the Member for Scarborough and Whitby to his post. I offered to take part in these Committees specifically because I am largely to blame for some of their content and have signed some of the statements.

I pay tribute to the DEFRA officials, who have had to work incredibly hard on this and all other similar SIs. Hon. Members who read those SIs will quickly establish that to fillet through every piece of EU legislation, literally exchanging the words “Member States” for “relevant authority”—that is predominantly what these statutory instruments do—is not the most attractive of jobs. It requires somebody to go through a huge amount of legislative text. A huge amount of work has gone into all those instruments and it is important to recognise that their purpose is simply to make retained EU law operable.

The shadow Minister made the point that as we are not changing policies, we should surely have drafted the regulations to make them a bridge to the direction of future policy. The European Union (Withdrawal) Act 2018 was explicitly clear that that should not be done. The purpose of that Act was simply to allow for retained EU law to continue to function as closely as possible to the way that it does currently. It was clear that any future changes in policy should, as a general rule, require future legislation. Of course, we have the Agriculture Bill for that.

It is also worthy of note that section 2(2) of European Communities Act 1972 is probably the most pernicious Henry VIII power in this country in modern history. It is used, particularly by a Department such as DEFRA, to drive a coach and horses through all sorts of pieces of domestic legislation, often without much more than passing a statutory instrument via the negative procedure. The irony with all these SIs is that we expend a great deal of effort to judge whether we are happy to swap the words “Member State” for “relevant authority”, but those powers were simply imposed on us, generally by delegated legislation or by Acts implementing European Union legislation.

When we looked at the AHDB levy—particularly the exemption from the levy for EU animals, which was raised by the shadow Minister—we had two things to consider. The first was whether we should go for a strict interpretation, seeking legislative continuity, in which case we might have said, strictly speaking, that the EU was now a third country and should therefore be treated as such. The second was whether we should adopt an approach to provide continuity for producers in the closest way possible. Had we taken the former approach, we would have required abattoirs up and down the country to suddenly start trying to design and implement systems so that they knew when they were dealing with an animal that might have come from the European Union and could apply a levy to it. As the shadow Minister noted, we apply a levy to animals from outside the EU, but not those within the EU. We concluded that the best way to provide continuity was simply to extend that exemption to everyone in the world, which meant that operators could carry on broadly as they do now.

I do not have a lot of affection for the horizontal regulation in the EU, which one of the SIs relates to. It led to lots of administrative problems for DEFRA to

[George Eustice]

do with how we had to interpret penalties and implement audit processes. It is far from perfect, but the Agriculture Bill has a sweeping power to modify it once we leave the European Union. But for now, in keeping with the ethos of the European Union (Withdrawal) Act, we should retain it, which is what the regulation does. On financial discipline, in England we decided that we wanted to retain the power to make use of some of the pillar one payments for a crisis reserve, so there would be funds to support agriculture at times of great need in the year ahead before we have introduced our own crisis measures through the Agriculture Bill.

Finally, the shadow Minister mentioned a couple of points about criminal proceedings. We debated that during the Agriculture Bill, and I gave an undertaking to look at the issue. My understanding is that we have never used that power; it has been in our enforcement powers for the EU regulations—that is why it is retained for now, although obviously it can be looked at in the context of the future Bill. As he knows full well, because we debated it at length in Committee, the budget will stay the same in cash terms until 2022. I predict that will cover the timescale for these regulations under retained EU law, because long before that I hope we will have our Agriculture Bill in place.

5.2 pm

Gavin Newlands (Paisley and Renfrewshire North) (SNP): It is a pleasure to have you in the Chair, Mr Hanson. I welcome the Minister back to Government, although how long that Government will last is up for debate given events outside this room. As I find myself saying fairly often, it is regrettable that this legislation has been rushed through without proper scrutiny. That is rather unhealthy for parliamentary democracy, but we are where we are.

As the Minister outlined, the Scottish Government have consented to the statutory instruments—for pragmatic reasons, rather than because they fully support them. There was concern about the Government's approach to many of the matters. The Agriculture Bill completely failed to deliver on promises made to Scotland during the EU referendum campaign. As the hon. Member for Stroud indicated, we plan to do things rather differently.

The Scottish Government have set out a five-year plan that will give farmers and crofters the stability, certainty and funding they need for the next five years. They will act to address Brexit risks, such as announcing a loan scheme in which payments start earlier than in any other part of the UK, directly helping vulnerable farmers and crofters. We have serious concerns that the UK Government might impose unwanted policies and rules on Scottish farmers in areas that should be devolved competencies.

The Scottish Government published clear proposals for the next five years in their "Stability and Simplicity" consultation paper, aimed at providing farmers with financial certainty in the face of Brexit. In January, MSPs debated future rural support, and the Scottish Government announced that, due to the inadequacies of the UK's Agriculture Bill, they would bring forward a Scottish rural financial support Bill to implement the proposals set out in the consultation.

We welcome the review of agriculture funding allocations, but are disappointed that our concerns on the remit of the review have not been addressed, particularly for the convergence uplift money. The Conservative party does not generally support redistribution—unless the money should be going to Scottish farmers, in which case it redistributes it elsewhere. I ask the Minister, who is relatively new in the Department, to change tack, ensure that there is an adequate review and look at the remit and at future and previous payments.

5.5 pm

Luke Pollard (Plymouth, Sutton and Devonport) (Lab/Co-op): The Minister will be pleased to know that I have just a small number of technical questions. Before I turn to agriculture, I briefly want to mention fisheries. The explanatory memorandum for the Agriculture (Legislative Functions) (EU Exit) Regulations 2019 talks at the bottom of page 3 about the EMFF funding. It was asked during the passage of the Fisheries Bill what happens in the event that the powers jointly exercised by the Secretary of State and the devolved Administrations cannot be exercised with complete unanimity because one of the devolved Administrations object to the Secretary of State's policy. That is referred to on page 3 of the explanatory memorandum. Page 16 states:

"Any changes as a result of the use of powers after EU Exit will only be carried out with the consent of the devolved administrations."

The Opposition proposed an amendment that would have created a dispute mechanism to ensure that, if that happens, there will be a plan in place to resolve it. The Government disagreed with that dispute mechanism, but I note that there is no method of dealing with the issue in this instrument. I will be grateful if the Minister sets out how he intends to deal with it.

On the Agriculture (Legislative Functions) (EU Exit) Regulations 2019, I would be grateful if the Minister set out, in relation to financial discipline in England, the different thresholds specified in the regulations. I have two questions about the regulations. First, the SI suggests that the threshold for the financial year ending 31 March 2020 is £2.093 billion, and the financial threshold for the year ending 31 March 2021 is £2.095 billion. That is an increase of only £2 million. What calculation and rationale was there for that £2 million? Why is there no reference to any retail prices index or consumer prices index calculations?

Secondly, I want to press the Minister on the exchange rate used. Throughout the document, euros, rather than pounds, are used for financial payments. I could not see anything about the exchange rate. Any big fluctuations, such as the fall in the value of the pound after the 2016 referendum, could have a substantial effect on the exchange rate. Is there a mechanism to adjust that to ensure that our farmers do not lose out?

I am grateful that the Minister set out the gremlins that he discovered in the explanatory note. In a previous SI Committee, I asked him to assure us that there were no gremlins in the explanatory notes or the SIs, but one was pointed out in the very next SI Committee. I am glad that he spotted that one, but I wonder how many other gremlins in these SIs have not been spotted. I do not anticipate that the Minister has a list of how many have not been spotted; the point is that there could be others.

Finally, I want to ask the Minister about the agriculture support. The Government have committed to continue funding until the end of the Parliament, rather than a certain date. What happens to the funding if the Parliament ends before 2022, especially if there is a shortfall? My understanding from Ministers' statements is that the post-CAP funding settlement is expected to lead to an above 40% reduction in the total value of agricultural support. If the Parliament ends before 2022, what measures are in place to provide the same timeframe for farmers and others in the agricultural sector, so they can adjust to what could be quite a substantial difference in agricultural subsidies?

5.9 pm

Mr Goodwill: I thank all hon. Members who contributed to the debate and asked interesting questions. These regulations ensure that we are able to make amendments to the CAP legislation in the same way as the EU does currently, to respond to changing circumstances in the agriculture sector and have the flexibility to manage the pillar one budget through the financial discipline mechanism.

They will ensure the continued operation of the financing, management and monitoring arrangements that underpin the common agricultural policy in the United Kingdom and will provide the AHDB with an operable legal framework. Although these are very complex matters, as the hon. Member for Stroud noted, the changes that we are making are simple and straightforward. In most cases, we are merely substituting EU bodies with UK bodies, which will help us to take back control of our own legislation.

Thangam Debonnaire (Bristol West) (Lab): I hope that the Minister is getting used to my cheekily taking my position as the Whip but then asking questions about process—although this question is about content. He says that the changes being made are quite straightforward, yet he also talks about the devolved Administrations. I am concerned about what will happen to the democratic oversight of decisions that relate to Northern Ireland, where there is currently no Assembly.

Mr Goodwill: To put it simply, officials went through the regulations, and every time they saw a reference to an EU body, they changed it to a reference to a UK relevant body, whether that was in England, Northern Ireland, Scotland or Wales. I share the disappointment felt by many people that we have not had an agreement in Northern Ireland and a return to devolved administration; at the moment, civil servants are making the decisions, based on decisions taken in the past. As a former member of the Select Committee on Northern Ireland Affairs, I know how tough the job of those civil servants is; the longer it is since there was a devolved Administration in Northern Ireland, the more difficult it is to make decisions based on political policies that were decided at that time. I hope that all the political parties in Northern Ireland will get together to participate fully in the democratic process and give the people of Northern Ireland their voice once again through the devolved settlement, delivering on the Good Friday agreement—the Belfast agreement.

The hon. Member for Stroud asked some general questions about payment windows. There will be no changes to the scheme, but given the performance of

the last Labour Government, I have to say that people in glass houses should not throw too many stones. The Labour party must take some responsibility for the complexity of the system introduced in England, which contrasts with the much more workable system in Scotland. We are often critical of European legislation, but if we gold-plate it ourselves, we must take some of the blame.

The hon. Gentleman also talked about new schemes. Obviously, under the new policies that we will introduce once the Agriculture Bill is on the statute book, we will be in a position to facilitate new schemes. We will have an improved system that will allow us to base our agriculture policy and agricultural support on UK priorities, rather than on the often compromised priorities that emerge when we negotiate within the European Union.

The hon. Gentleman talked about consultation. In a debate on a previous statutory instrument, I gave a long list of those whom we have spoken to and who have not expressed concerns. There are no concrete changes; as I have said already, in most cases we are substituting EU bodies with UK bodies.

The hon. Gentleman asked whether we should make modifications at this stage to take account of the directions of change that we discussed in debates on the Agriculture Bill. The answer is no; this is a “business as usual” measure. If he wants to make changes, the first thing he needs to do is vote for the deal, so that we can actually leave the European Union. The Agriculture Bill will create those opportunities, but that will be possible only with a deal. I hope that we can work closely with the devolved Administrations as well.

The hon. Gentleman asked a question about the red meat levy. The exemption that we are concerned with relates only to livestock imported into the UK and slaughtered in England within two to three months of arrival. There are believed to be very few cases, if any, in that category. The overall red meat levy is payable on all livestock slaughtered in England for the human food chain and raises approximately £26 million a year. Extending the exemption to imports from beyond the EU might affect the KPA. No exemptions were sought for such imports last year.

The hon. Gentleman mentioned the Soil Association. I can reassure the association that we are maintaining the status quo. As I say, the Agriculture Bill will give us great opportunities in the delivery of organic production, for example.

I was asked about future funding arrangements: as agriculture is devolved, who will pay for what? I reassure the Committee that the Government have pledged to continue to commit the same cash total in funds to farm support until the end of this Parliament, which is expected to be in 2022.

Dr Drew: Will the Minister give way on that point?

Mr Goodwill: I know what the hon. Gentleman is going to ask, and I will try to cover it.

That includes all funding provided for farm support under both pillar one and pillar two of the current CAP. Obviously, if there were an early election—of course, under the Fixed-term Parliaments Act 2011, that is not as straightforward as it used to be—since no Government can tie the hands of a future Government, it would be up to the parties standing in that election to put their plans in their manifesto and then deliver on that when elected.

Gavin Newlands: I am not sure whether there are any Scottish Tories here, but I am sure that, given their rural constituencies, they would be keen to learn whether the Conservative party manifesto will commit to giving Scottish farmers back the money that was stolen from the convergence uplift.

Mr Goodwill: I am certainly not going to rush my fences and write the next manifesto on the hoof, particularly as we do not expect to go to the people again until 2022. The last time we consulted the people on what we should do was in the referendum, and we have not delivered on that one yet, so perhaps we should get on with the work in hand.

Dr Drew: Will the Minister give way?

Mr Goodwill: I will make a point about the Barnett formula before I give way. We have also committed that the Barnett formula will not simply be applied to DEFRA's agriculture budget in 2022. That means that farmers in Wales, Scotland and Northern Ireland will not just be allocated funding according to the population of each nation. Each is significantly smaller than England, but they have large areas of agricultural interest. In October 2018, the Government announced an intra-UK allocations review, which will look into the factors that should inform the allocation of convergence funding from 2020 to 2022. The review will report ahead of the 2019 spending review, and its recommendations will be available to Treasury Ministers when future funding decisions are made.

Did I answer the hon. Gentleman's point? I thought I had.

Dr Drew: I was actually going to make another point. Since I think we must assume that the Agriculture Bill will be delayed, these SIs are quite important. The starting point for the reduction of direct payments is 2021—that is in the plan, not in the Bill itself. Will the Minister assure me that if there is a delay, the seven-year transition period will move with it? Or are we going to try to reduce that transition period? Obviously, that would cause those who need direct payments even more difficulty.

Mr Goodwill: I thank the hon. Gentleman for that question. We are keen to make progress on the Agriculture Bill. We will get it on the statute book as soon as possible, and it will certainly be on the statute book as and when it is required.

I was asked about cross-compliance. The European Union (Withdrawal) Act 2018 does not give us the power to make wholesale policy changes, and we do not think it would be appropriate to use the powers in the Act to omit cross-compliance from retained CAP legislation. Instead, we have the flexibility to amend cross-compliance within the confines of the current legislative framework. Further substantive changes to cross-compliance will be able to be made through the Agriculture Bill.

I was also asked why the devolved Administrations have taken a different approach to agriculture. Agriculture is a devolved policy area, and the devolved Administrations are currently able to operate CAP schemes within the legislative framework. It is for each Administration to decide how these EU regulations should be made operable.

The hon. Member for Plymouth, Sutton and Devonport raised issues to do with EMFF funding and the Fisheries Bill. I had been doing so well, but that is one that I will need to write to him about, as it is quite a technical issue and I do not want to get it wrong—similarly with the dispute mechanism, although of course that is one of the things for the future. As I said, at the moment, we are keeping measures in place as they are; there is no change.

The hon. Gentleman mentioned the exchange rate. The exchange rate for payments is fixed in September. That has been the case for some time. He also mentioned fixed-term Parliaments. As I said, no Government can tie the hands of a future Government, and it will be up to the parties what they put in their manifestos.

Luke Pollard: On the technicalities of the two threshold levels, I would be grateful if, when the Minister prepares his note to me, he set out the thinking behind the €2 million mark, whether that is RPI or CPI-related, and what formula created those two levels.

Mr Goodwill: I will 'fess up: I was not aware of that difference. There may be a perfectly logical explanation that is not policy related.

Sir Oliver Heald (North East Hertfordshire) (Con): I notice that there is an article in the regulations entitled, "Financial Discipline in England", which sets out how that would work. Am I right that the other nations would not have to have any financial discipline, or would they make their own arrangements?

Mr Goodwill: The other nations have chosen not to opt into the financial discipline mechanism, which we use—I was going to say "to top-slice", but that is too emotive—to ensure that we have provision for emergency payments and other such measures. That is in no way to suggest that the Scottish Administration are behaving recklessly; it is just how they are choosing to deliver that policy. I hope my right hon. and learned Friend is reassured. Indeed, I met with the DAs this morning, and Mr Ewing was very keen to talk about how we move forward constructively, respecting the powers devolved to the Scottish Parliament and Administration.

These draft statutory instruments are required to ensure our continued ability to pay UK beneficiaries of the CAP and the common fisheries policy as now. They will help to ensure compliance with the rules set out in the retained CAP legislation and to ensure that public money is spent appropriately. On that basis, I commend the regulations to the Committee.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Agriculture (Legislative Functions) (EU Exit) Regulations 2019.

**DRAFT COMMON AGRICULTURAL POLICY
(FINANCING, MANAGEMENT AND
MONITORING) (MISCELLANEOUS
AMENDMENTS) (EU EXIT) REGULATIONS 2019**

Resolved,

That the Committee has considered the draft Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019.—(*Mr Goodwill.*)

**DRAFT COMMON AGRICULTURAL POLICY
(FINANCING, MANAGEMENT AND
MONITORING SUPPLEMENTARY
PROVISIONS) (MISCELLANEOUS
AMENDMENTS) (EU EXIT) REGULATIONS 2019**

Resolved,

That the Committee has considered the draft Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019.—(*Mr Goodwill.*)

**DRAFT COMMON AGRICULTURAL POLICY
AND AGRICULTURE AND HORTICULTURE
DEVELOPMENT BOARD (AMENDMENT ETC.)
(EU EXIT) REGULATIONS 2019**

Resolved,

The Committee has considered the draft Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019.—(*Mr Goodwill.*)

5.22 pm

Committee rose.

