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Rt Hon Michael Gove MP
Secretary of State
Department for Environment, Food and Rural Affairs

18 January 2018

From Clare Moriarty
Permanent Secretary

Dear Secretary of State

EU EXIT PREPARATIONS: MINISTERIAL DIRECTION

I welcome your close engagement with Defra's preparations for EU Exit. We are implementing a major programme of work at pace in order to be ready for a range of scenarios including the possibility of a 'no deal' exit without a transition period.

We want our future relationship with the EU to be a deep and special partnership, taking in both economic and security cooperation. We are confident that such a partnership is in the interests of both sides, so we approach these negotiations anticipating success – we do not want or expect a 'no deal' outcome.

Under the rules set out in *Managing Public Money*, which require all spending to have specific statutory authority, we are not able to incur expenditure on new services in advance of Royal Assent of the EU (Withdrawal) Bill. However, this would be likely to cause delay with serious implications across the sectors and issues for which Defra is responsible and could result in severe disruption to vital public services.

Recognising this, the Chief Secretary to the Treasury in her Written Ministerial Statement of the 12th October 2017 advised that Ministers should issue technical directions to enable urgent spend when delaying would jeopardise our readiness for EU exit. The Permanent Secretaries of the Treasury and DExEU have provided further guidance on the steps a department should take to ensure spending is compliant with *Managing Public Money*. As indicated in the letter (attached), a direction in this instance is the proper way to ensure critical spend can be incurred.

As the Accounting Officer responsible for ensuring that Defra's expenditure is properly compliant with *Managing Public Money*, I am therefore setting out for your consideration the areas of spend and reasons why we need to spend in advance of specific statutory spending authority being granted by Parliament. For this purpose, we have made a prudent assumption to capture all such activities up until June 2018.

The planned EU Exit readiness activities that we will need to initiate prior to the EU (Withdrawal) Bill Royal Assent to ensure we are prepared for all negotiation outcomes are as follows:

- Delivery of a new national import control system for animals, animal products and high risk food and feed. Scheduled to commence building: mid-January 2018. Estimated cost before Royal Assent: £7m.

- Delivery of new IT capability to enable registration and regulation of chemical substances placed on the UK market. Scheduled to commence building: February 2018. Estimated cost before Royal Assent: £5.8m.

- Delivery of systems for the licensing and marketing of veterinary medicines. Scheduled to commence building: end-January 2018. Estimated cost before Royal Assent: £1.6m.

- Development of a new catch certificate system for UK fish and fish products being exported to the EU on Exit. Scheduled to commence: building end-January 2018. Estimated cost before Royal Assent: £1.0m.

- Development of a UK system to manage the quota of fluorinated gases and ozone depleting substances required under the UN Montreal Protocol. Scheduled to commence: March 2018. Estimated cost before Royal Assent: £0.5m.

- Development of data exchange arrangements to identify the movement of EU and third country vessels in UK waters and the movement of UK vessels in EU or third country waters. Scheduled to commence: April 2018. Estimated cost before Royal Assent: £0.1m

If your view is that spending on the activities above should proceed, you will need to issue a written direction to me, as Accounting Officer for the department, for this to happen. The total spend expected to deliver these projects prior to Royal Assent is £16m. A breakdown of these costs can be made available to you.

I am satisfied that the planned expenditure on these activities meets the other Accounting Officer tests on regularity, feasibility and value for money, but a direction is required in order to meet the propriety test.

In line with normal practice for directions, I am required to alert the Comptroller and Auditor General, who is likely to inform the Public Accounts Committee (which may choose to conduct an inquiry), and the Treasury Officer of Accounts. Given the interest in this subject, I also recommend that the letter is copied to the Chair of the EFRA Select Committee.

Clare Moriarty

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