

**EXPLANATORY MEMORANDUM TO**

**THE COMMON AGRICULTURAL POLICY AND AGRICULTURE AND  
HORTICULTURE DEVELOPMENT BOARD (AMENDMENT ETC.) (EU EXIT)  
REGULATIONS 2018**

**2018 No. [XXXX]**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs (“Defra”) and is laid before Parliament by Act.
- 1.2 This memorandum contains information for the Sifting Committees.

**2. Purpose of the instrument**

- 2.1 This instrument amends three separate domestic regulations, and revokes one, relating to the implementation of the European Union (“EU”) Common Agricultural Policy (“CAP”) and also amends one Order concerned with the Agriculture and Horticulture Development Board (“AHDB”), in order to address operability issues created by the UK leaving the EU. The amendments will ensure this legislation continues to operate effectively after EU Exit.

*Explanations*

What did any relevant law do before exit day?

- 2.2 The domestic legislation amended by this instrument, together with a summary of its purpose, follows:
  - The Environmental Stewardship (England) Regulations 2005. These Regulations establish a CAP scheme (known as Environmental Stewardship) under which the Secretary of State may make grants, in England, for the management of land. The scheme continues to operate, but it is no longer open to new applicants;
  - The Agriculture and Horticulture Development Board Order 2008 (“AHDB Order”). This Order establishes the AHDB, which has functions and duties relating to the beef and lamb, pig meat, cereals and oilseeds, horticulture, milk and potato industries. This Order contains provisions for the constitution and proceedings of the Board, together with a duty to raise a levy;
  - The Common Agricultural Policy Basic Payment and Support Schemes (England) Regulations 2014. These Regulations set out how certain Member State discretions are exercised in relation to Direct Payments in England, including in relation to ‘greening’ and the ‘young farmer’ payment (an additional payment available to farmers aged 18 to 40 years);
  - The Common Agricultural Policy (Control and Enforcement, Cross-Compliance, Scrutiny of Transactions and Appeals) Regulations 2014. These Regulations include provision for:
    - control and enforcement arrangements for Direct Payments to farmers and land managers and Rural Development Programme payments;

- cross-compliance requirements;
- scrutiny arrangements for ensuring that CAP payments meet EU requirements;
- provisions for the recovery of undue payments;
- the right of farmers to appeal against decisions;
- The Common Agricultural Policy (Competent Authority and Coordinating Body) Regulations 2014. These Regulations provide for the administration of the CAP by defining and implementing the EU concepts of a “competent authority” and a “coordinating body” for certain purposes, to support the effective financing, management and monitoring of CAP schemes.

Why is it being changed?

- 2.3 After EU Exit, without amendment, certain provisions within the above domestic legislation will be inoperable and, as a result, existing law will either be unclear or will not function effectively. This instrument therefore uses powers in the European Union (Withdrawal) Act 2018 to make predominantly technical changes to that legislation to ensure that it remains coherent and continues to function correctly after the UK has left the EU. This will provide clarity to stakeholders.
- 2.4 The corrections within this instrument will help ensure that EU CAP schemes and farming support measures, such as Direct Payments to farmers and land managers, can continue to operate effectively (until such time as they may be amended by future agriculture policy changes). This instrument also makes minor corrections to the AHDB Order to ensure it remains fully operable after EU Exit.

What will it now do?

- 2.5 This instrument will ensure that the domestic legislation described above will operate effectively in the UK after EU Exit. The appropriate legislative “fixes” introduced by this instrument will maintain the status quo, as far as possible. More information on the specific changes being made is at section 7.

### **3. Matters of special interest to Parliament**

*Matters of special interest to the Sifting Committees*

- 3.1 This instrument is being laid for sifting under the European Union (Withdrawal) Act 2018.

*Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.2 As this instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

### **4. Extent and Territorial Application**

- 4.1 The territorial extent of the instrument is the UK, though different provisions have different extent depending on the extent of the legislation that is the subject of amendment.

- 4.2 The territorial application of this instrument is the UK, though different provisions have different application depending on the application of the legislation that is the subject of amendment. More specific information on the relevant provisions is outlined below:
- a) The amendments to the following regulations have a UK wide application:
- the AHDB Order;
  - the Common Agricultural Policy (Control and Enforcement, Cross-Compliance, Scrutiny of Transactions and Appeals) Regulations 2014, in so far as they relate to amendments to regulations 20 to 29, and the definitions in regulation 2 that relates to those regulations; and
  - the Common Agricultural Policy (Competent Authority and Coordinating Body) Regulations 2014.
- b) The amendments to the following regulations have an England only application:
- the Environmental Stewardship (England) Regulations 2005;
  - the Common Agricultural Policy Basic Payment and Support Schemes (England) Regulations 2014; and
  - the Common Agricultural Policy (Control and Enforcement, Cross-Compliance, Scrutiny of Transactions and Appeals) Regulations 2014, save for the provisions referred to above that have a UK wide application.

## **5. European Convention on Human Rights**

- 5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **6. Legislative Context**

- 6.1 The key legislative context for this instrument is set out at paragraph 2.2. As a result of EU Exit, corrections are required to existing EU CAP-derived and AHDB domestic legislation to ensure it can continue to operate effectively.
- 6.2 In addition to this instrument, other regulations will be made by Defra as part of the EU Exit process that will interact with the legislation amended by this instrument. These instruments will cover the following CAP-related areas:
- Rural Development;
  - Direct Payments to farmers and land managers;
  - the “Horizontal” (cross-cutting) framework for the financing, management and monitoring of the CAP; and
  - market intervention measures under the Common Organisation of Agricultural Markets (“CMO”).

These instruments will make amendments to retained EU CAP Regulations to ensure they also function effectively after the UK has left the EU.

- 6.3 The regulations being amended by this instrument contain out of date cross references. This will be corrected in a separate SI made under section 2(2) of the European Communities Act 1972.

- 6.4 Section 8(1) of the European Union (Withdrawal) Act 2018 provides that a Minister of the Crown may by regulations make such provision as the Minister considers appropriate to prevent, remedy or mitigate any failure of retained EU law to operate effectively or any other deficiency in retained EU law arising from the withdrawal of the United Kingdom from the EU. This instrument is made in exercise of section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018. The amendments being made to the AHDB Order are solely connected to the UK's exit from the EU and are made under these powers rather than the Natural Environment and Rural Communities Act 2006.

## 7. Policy background

### *What is being done and why?*

- 7.1 This instrument will make corrections to, or remove redundant provisions that refer to EU terms from, domestic CAP-derived legislation relating to: Rural Development; Direct Payments to farmers and land managers; the “Horizontal” (cross-cutting) framework for the financing, management and monitoring of the CAP; and market intervention measures under the Common Organisation of Agricultural Markets (“CMO”). This instrument will also revoke a CAP-related instrument, the Common Agricultural Policy (Competent Authority and Coordinating Body) Regulations 2014, which will no longer be required at the point of EU Exit as the EU legislation it implements will itself become (corrected) retained EU law.
- 7.2 This instrument is necessary to ensure that CAP scheme recipients continue to be paid following EU Exit. This will help deliver a smooth EU Exit transition and provide clarity and certainty to farmers, land managers, rural businesses and communities, and the public sector.
- 7.3 The amendments to existing CAP-related regulations made by this instrument are predominantly minor and technical in nature. The changes include:
- Replacing the reference to breach of a provision of the “EU Treaties” with a reference to breach of “retained EU law” (regulation 2);
  - Repealing “spent” policy choices that are no longer relevant and also amending references to European legislation (regulation 4(2) & (3));
  - Amending references to European funds which the UK will not be able to access after EU Exit (regulation 5(2)(c), (4)(d), (7), (9)(a)(i) and (b));
  - Removing the rights of representatives of the European Commission to enter premises (regulation 5(3) and (5)); and
  - Removing inappropriate EU references, for example references to “EU” debts and “EU” requirements (regulation 5(2), (4)(a), (b) and (c)).
- 7.4 This instrument will also correct two deficiencies in the AHDB Order that are created by UK withdrawal from the EU. They are:
- i. An amendment to remove the AHDB red meat levy on animals imported from the rest of the world for short term slaughter (regulation 3(a)). Removing this levy will ensure that, following EU Exit, there will be equal treatment between the EU and the rest of the world 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 AHDB is content to accommodate the loss of this levy.

The statutory red meat levy is treated as a para-fiscal tax by HM Treasury and applies to cattle, sheep and pigs slaughtered in the UK. HM Treasury is aware of the instrument's proposals and is content with the change.

- ii. A technical amendment to replace reference to “another member State” with “a member State”, reflecting that, after EU Exit, the UK will no longer be a “member State” (regulation 3(b)). This amendment will ensure the AHDB Order remains operable and will provide post-Exit continuity of the current regulatory regime concerning accountants who are eligible to certify horticulture returns to the AHDB.

7.5 This instrument will also revoke the Common Agricultural Policy (Competent Authority and Coordinating Body) Regulations 2014 because the terms will be defined in the European regulations and, as a consequence, that regulation will serve no purpose.

7.6 This instrument applies to agriculture which is a transferred matter for Northern Ireland under the Northern Ireland Act 1998. The UK Government remains committed to restoring devolution in Northern Ireland. This is particularly important in the context of EU Exit where we want devolved Ministers to take the necessary actions to prepare Northern Ireland for exit. We have been considering how to ensure a functioning statute book across the UK including in Northern Ireland for exit day absent a Northern Ireland Executive. With exit day less than one year away, and in the continued absence of a Northern Ireland Executive, the window to prepare Northern Ireland's statute book for exit is narrowing. UK Government Ministers have therefore decided that in the interest of legal certainty in Northern Ireland, the UK Government will take through the necessary secondary legislation at Westminster for Northern Ireland, in close consultation with the Northern Ireland departments. This is one such instrument.

## **8. European Union (Withdrawal) Act 2018/ Withdrawal of the United Kingdom from the European Union**

8.1 This instrument is being made using the powers in section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018 in order to address failures of domestic legislation to operate effectively or other deficiencies arising from the withdrawal of the UK from the EU. In accordance with the requirements of that Act the Minister has made the relevant statements as detailed in Part 2 of the Annex to this Explanatory Memorandum.

## **9. Consolidation**

9.1 Defra does not intend to consolidate the relevant legislation at this time.

## **10. Consultation outcome**

10.1 This instrument has not been subject to formal consultation because it makes no substantive changes to existing domestic legislation. However, on 25 September 2018, Defra met with the Rural Payments Agency's 'Industry Partnership Group' to update farming and land management stakeholders on the Government's plans for EU

Exit. At the meeting, stakeholders were informed of the plans to make both retained EU CAP legislation and existing domestic CAP regulations fully operable at the point of EU Exit, to enable Defra and the Devolved Administrations to continue to deliver ongoing CAP Pillar 1 and Pillar 2 commitments to the agriculture sector in 2019 in the event of non-negotiated Exit. No concerns were raised. Stakeholders present were:

- i. Tenant Farmers Association;
- ii. Countryside Land and Business Association;
- iii. Farming Community Network;
- iv. Institute of Agricultural Secretaries and Agents;
- v. British Institute of Agricultural Consultants;
- vi. National Farmers Union.

10.2 This instrument, and the policy reflected in it, has been developed in collaboration with officials in the Scottish and Welsh devolved administrations and the Department of Agriculture, Environment and Rural Affairs (“DAERA”).

## **11. Guidance**

11.1 Defra is not producing any specific guidance on this instrument, as it is only amending deficiencies arising from the UK’s withdrawal from the EU.

11.2 The Government has published Technical Notices on the GOV.UK website to help people prepare for how CAP will be handled after EU Exit. These provide relevant background information to the CAP-related content of this instrument. They are:

- i. Farm payments if there’s no Brexit deal (see: <https://www.gov.uk/government/publications/farm-payments-if-theres-no-brexit-deal>); and
- ii. Receiving rural development funding if there’s no Brexit deal (see: <https://www.gov.uk/government/publications/receiving-rural-development-funding-if-theres-no-brexit-deal>).

## **12. Impact**

12.1 There is no, or no significant impact on business, charities or voluntary bodies.

12.2 There is no, or no significant impact on the public sector.

12.3 The AHDB Order amendment to the red meat levy system in England is expected to have little or no impact as few animals currently enter the UK from the rest of the world. A number of these animals are likely to be imported for breeding purposes and not for short-term slaughter. Under worst case assumptions, the AHDB would lose around £1,000 per annum in levy (against a total AHDB levy income of around £60m per year). This (worst case) loss is accepted by AHDB.

12.4 There is no change on the ground in relation to the eligibility of accountants to certify horticulture returns. We expect familiarisation costs to be minimal as the Government will work with relevant bodies to ensure that information is communicated to stakeholders as early as possible.

12.5 An Impact Assessment has not been prepared for this instrument because there is expected to be negligible impact on business for the CAP and AHDB Order levy

change, and none at all from the AHDB Order technical correction on eligible accountants.

### **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No disproportionate impacts are expected to affect small and micro businesses as a result of this instrument. No specific action is proposed to minimise regulatory burdens on small businesses.

### **14. Monitoring & review**

- 14.1 As this instrument is made under the European Union (Withdrawal) Act 2018, no review clause is required. Defra and its agencies will monitor and review the impact of the instrument as part of its standard policy-making procedures, and will ensure that the provisions are adhered to.

### **15. Contact**

- 15.1 Andrew Crawford at Defra: 0208 026 6557 or email: [andrew.crawford@defra.gov.uk](mailto:andrew.crawford@defra.gov.uk) can be contacted with any queries regarding the instrument.
- 15.2 Fiona James and Elen Shepard (job-share), Deputy Directors for CAP EU Exit Preparedness at Defra, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 George Eustice MP at Defra can confirm that this explanatory memorandum meets the required standard.

# Annex

## Statements under the European Union (Withdrawal) Act 2018

### Part 1

#### Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriate-ness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them.  State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2 In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.



Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9, and 23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	Set out the ‘good reasons’ for creating a criminal offence, and the penalty attached.
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.	Statement of the reasons for the Minister’s opinion that the SI is urgent.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 13, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before exit day, and explaining the instrument’s effect on retained EU law.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 16, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority’s response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.

## Part 2

### Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act

#### 1. Sifting statement(s)

- 1.1 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2018 should be subject to annulment in pursuance of a resolution of either House of Parliament (i.e. the negative procedure)”.

- 1.2 This is the case because: the instrument does not fall within the categories for which use of the affirmative procedure is required under the European Union (Withdrawal) Act 2018 and the contents of the instrument are not of such significance that Parliament would expect to debate it. The instrument makes changes of a technical nature only, to ensure the continued effective delivery of existing domestic legislation after European Union (“EU”)-Exit.

#### 2. Appropriateness statement

- 2.1 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2018 does no more than is appropriate”.

- 2.2 This is the case because: the amendments made by the instrument are the minimum required to ensure that existing domestic legislation remains operable after EU Exit. The amendments are predominantly technical in nature and do no more than is strictly necessary to ensure that United Kingdom (“UK”) law continues to function effectively. See section 7, sub-paragraphs 1 to 5.

#### 3. Good reasons

- 3.1 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action”.

- 3.2 These are: the amendments to existing domestic legislation are necessary to ensure that:
- the Common Agricultural Policy (“CAP”), together with the provision of funding support to farmer and land managers under its schemes, can continue

to operate seamlessly and without ambiguity after EU Exit (see section 7, sub-paragraphs 1, 2, 3 and 5); and

- the Agriculture and Horticulture Development Board Order 2008 is made operable so that, at EU Exit, those operating in the agriculture and horticulture sectors can understand the practical implications of EU Exit on the red meat levy for imported animals and can continue to use the same accountants that are currently eligible to certify horticulture's financial returns, without a legal deficiency (see section 7, sub-paragraph 4).

#### **4. Equalities**

4.1 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statements:

“The draft instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.

4.2 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In relation to the draft instrument, I, George Eustice MP, have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.”

#### **5. Explanations**

5.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.