Department
for Environment
Food & Rural Affairs

Tamara Finkelstein
Permanent Secretary

Seacole Building
2 Marsham Street,
London
SW1P 4DF

T: 03459 335577
helpline@defra.gov.uk
www.gov.uk/defra

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The Rt Hon George Eustice MP
Secretary of State
Department for Environment, Food and Rural Affairs
Seacole Building
2 Marshall Street
London
SW1P 4DF

MOVEMENT ASSISTANCE SCHEME

I am writing following our meeting on Thursday 03 December 2020 where we discussed the Movement Assistance Scheme (MAS). This letter subsequently records my reasons for seeking a direction for this scheme, which is planned to launch on 16 December 2020 with effect from 01 January 2021.

The Northern Ireland Protocol (NIP) sets out new requirements for traders that move animals, plants and their products from GB to NI that come into effect on 1 January 2021. This reflects that the island of Ireland will be treated as a single epidemiological unit (SEU) that aligns with EU sanitary and phytosanitary (SPS) rules. Traders moving specific commodities (including agri-food) will be subject to new requirements for inspection and certification of goods.

Government has commissioned DEFRA to develop a scheme to support and assist traders moving agri-food and similar goods from GB to NI after the Transition Period (TP) ends. Forming part of the Northern Ireland Protocol obligation to streamline trade between Great Britain and Northern Ireland (Moving Goods Under the NI Protocol), this is a clear commitment to provide extensive support to businesses so that they would receive the information and assistance needed to get ready for the changes.

The MAS package of support has been developed by DEFRA to sit alongside Her Majesty's Revenue and Customs (HMRC) Trader Support Service (TSS). Though the TSS has a wider remit to assist traders with customs procedures and processes, MAS will support traders moving agri-food commodities and equines from Great Britain to Northern Ireland. It consists of three parts:

- MAS1 – to provide advice and guidance to inform traders of what the new requirements are and what they need to do to satisfy them;
- MAS2 – a charging remuneration scheme that waives and/or covers some of the direct costs traders will incur as a result of the new requirements; and
- MAS3 – a similar charging remuneration scheme that covers transit to Northern Ireland via the Republic of Ireland.

The advice in this letter focuses on the mobilisation phase to establish initial capability for MAS1 and MAS2 over the period from January 2021 to March 2021 but also considers the risks associated with the management of an enduring solution.

Northern Ireland imports 62% of goods from GB whilst the European Union, including the Republic of Ireland, represent only 25% of imports. Northern Ireland purchased £13.3 million (13% of all external purchases) in live animals from Great Britain in 2019. There are approximately 15,100 Northern Ireland businesses who purchased goods and services from Great Britain in 2017. The majority (70%) are ‘micro’ businesses (employing less than ten people) that may struggle to absorb increased trade costs.

There is, therefore, a strong policy rationale for these proposals in terms of supporting traders to comply with the new requirements. This is to ensure that consumers in Northern Ireland retain a similar level of choice of agri-food goods as would be available across the UK, at a comparable cost. It also seeks to ensure that consumers are not disproportionately affected by the implementation of the Northern Ireland Protocol, and to prevent disruption during the end of the transition period.

As Principal Accounting Officer, it is my personal responsibility to ensure that the Department’s use of resources is appropriate and is consistent with the requirements as set out in *Managing Public Money* (MPM).

Value for money risks exist on the proposals in both short and long term. The proposals have been developed at pace and consequently there is limited evidence that funding represents value for money. The design of the scheme includes proposals to cap and review the cost of individual transactions. This will form the evidential basis for a broader review following the first quarter of operation. Such an approach will partially mitigate the risk of costs escalating. However, we have limited data on likely volumes of trade, the impacts of market distortion resulting from the scheme and a lack of certainty about the number of certificates needed per consignment. These limitations are likely to restrict the effectiveness of cost controls. There is a risk of creating a dependency on this scheme for traders, meaning it may be difficult to exit the scheme. Evidence on the scale of benefits is limited. There is a persuasive argument relating to the avoidance of disbenefits associated with disruption in the trade within the UK however these benefits cannot be quantified at this stage.

The risks in relation to regularity and propriety are the potential level of fraud and error. In considering propriety I also need to reflect on whether the proposals are affordable given the Department's financial position for the remainder of this year and the risks in future years. I assess that this scheme is financially viable on the assumption HM Treasury provide additional funding to cover in full the costs of the scheme from 1 January 2021 to 31 March 2021 and accept the liability to cover all costs arising until closure in 2023. If funding is not received in full the project will not be able to proceed.

I have considered the feasibility of this scheme. There are no significant concerns in relation to MAS1 with service scheduled to go-live on 16 December 2020. The MAS2 operational service is due to be in place by 1 January 2021 as a minimum viable product with full capacity expected a month later. DEFRA fraud officers have completed a fraud and error risk assessment. The results of this assessment have been incorporated into the into the MAS design, controls and scheme guidelines. However, it is not possible to fully test these controls ahead of roll-out. This does not provide sufficient assurance that all these risks can be mitigated. The mechanism for communicating with and reimbursing partners including Official Veterinarians and Local Authorities in respect of their inspections is not yet fully designed or tested.

In summary the planned expenditure on this scheme presents risks across all the Accounting Officer tests which need to be balanced against the benefits of the scheme and the risks of not proceeding. As a Department we would intend to take every step to mitigate these risks. However, it is not possible to reduce the propriety and value for money risks to a tolerable level.

Based on the information available, it is not possible to construct a business case to clearly demonstrate that this funding represents value for money to the standards expected by *Managing Public Money*. Consequently, I am seeking a direction from you. Given more time, it is possible that further analysis could have been developed which may have offered a stronger business case and there would have been more time to test the scheme design to ensure appropriate level of control. However, I recognise the potential adverse impact that a delay to implementing this scheme might have.

There will be significant public interest in this matter, and there are issues raised in this letter regarding the security of the system. I therefore propose that publication of this letter is delayed until after the 1st January, when the system goes live, in order to allow work on these risks.

In line with the usual process for ministerial directions, I am copying this letter to the Comptroller and Auditor General (who will inform the Public Accounts Committee in due course) 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.

TAMARA FINKELSTEIN
Permanent Secretary