

## EXPLANATORY MEMORANDUM TO

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

2019 No. 763

AND

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

2019 No. 765

#### 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.

#### 2. Purpose of the instrument

2.1 The Common Agricultural Policy (“CAP”) was created by the European Union (“EU”) to provide financial support to farmers and land managers in Member States. These instruments will change the retained EU CAP cross-cutting (“Horizontal”) regulations to enable it to work effectively after EU Exit. They will create an agricultural legal framework in the UK that will enable the following land management support measures to continue to work effectively after EU Exit:

- i. Direct Payments to farmers (CAP Pillar 1);
- ii. Rural Development Programme schemes (Countryside Stewardship and Environmental Stewardship) (CAP Pillar 2); and
- iii. Market support and responding to a market crisis in the agricultural sector, as provided for under retained EU CAP Common Organisations of Agricultural Markets (“CMO”) legislation (CAP Pillar 1).

#### *Explanations*

##### What did any relevant EU law do before exit day?

2.2 The Common Agricultural Policy (Financial, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019 amends Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financial management and monitoring of the CAP. This EU Regulation has a fundamental role in setting out the overarching framework for how the CAP functions. It also makes an amendment to Common Delegated Regulation (EU) 639/2014 of 14 March 2014.

2.3 The legislation amended by the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 comprises of a number of Regulations, detailed Annex 2 of this explanatory memorandum. These Regulations operate

together to create the strategic framework and rules necessary to deliver and administer different CAP programmes across EU Member States.

*Why is it being changed?*

- 2.4 After EU Exit, without changes, certain parts of the retained EU CAP “Horizontal” regulations described in section 2.2-2.3 and in Annex 2 of this explanatory memorandum will be inoperable. These instruments use powers in the European Union (Withdrawal) Act 2018 to make changes to this legislation to ensure that it remains coherent and functions correctly after the UK has left the EU. For example, the EU financing system which applies to the CAP relies upon a principle of reimbursement, which does not fit with the domestic budgetary mechanism in the UK. These instruments include amendments to allow the domestic budgetary mechanism to replace the EU model, to ensure that the retained EU laws function effectively across the Devolved Administrations after EU Exit. They also provide clarity to stakeholders about how the schemes will be administered on a UK level.

*What will it now do?*

- 2.5 These instruments will ensure that the retained EU CAP “Horizontal” regulations described in section 2.3-2.4 and Annex 2 of this explanatory memorandum will work effectively throughout the UK after EU Exit, maintaining a status quo position without making substantive policy changes, and enabling payments to continue for farmers or land managers within a suitable UK framework.
- 2.6 These instruments reflect the UK devolution settlements and that agriculture is a devolved matter. The relevant authorities in England, Northern Ireland, Scotland and Wales will continue to be able to make the “Horizontal” CAP regulations work in their territories after EU Exit. More information on these changes are detailed in section 7 of this explanatory memorandum.

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

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

*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 The territorial application of these instruments includes Scotland and Northern Ireland.
- 3.3 The powers under which these instruments are made cover the entire UK (see section 24 of the European Union (Withdrawal) Act 2018) and the territorial application of these instruments is not limited either by the Act or by the instruments.

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

- 4.1 The territorial extent of these instruments is the UK.
- 4.2 The territorial application of these instruments is the UK.

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

5.1 The Minister of State for Agriculture, Fisheries and Food, Robert Goodwill MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019 and the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 are compatible with the Convention rights.”

## **6. Legislative Context**

6.1 The legislative context for each instrument is set out in section 2.3-2.4 and in Annex 2 of this explanatory memorandum. Corrections are required to retain EU Regulations relating to CAP “Horizontal” legislation to ensure it continues to work effectively in a domestic setting and the CAP schemes can be properly administered across the UK.

6.2 As part of the EU Exit process, Defra will introduce other instruments to correct workability issues within retained EU law relating to the CAP. These related instruments will be laid to ensure readiness of CAP schemes on day 1 of EU Exit and will cover the following areas:

- i. Direct Payments to farmers;
- ii. Support under Rural Development programmes;
- iii. Market intervention measures for the agricultural sector originating from the CMO;
- iv. The transfer of the law-making powers and other functions from the European Commission to appropriate authorities in the UK; and
- v. Existing UK law which implements the CAP in the UK.

6.3 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 work effectively, or any other deficiency in retained EU law arising from the withdrawal of the UK from the EU. These instruments are made by section 8(1) of, and paragraph 21 of schedule 7 to, the European Union (Withdrawal) Act 2018.

## **7. Policy background**

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

7.1 These instruments will correct retained EU CAP “Horizontal” (cross-cutting) regulations to create an agricultural legislative framework that enables current agricultural support measures to continue to function effectively in the UK after EU Exit. These include Direct Payments to farmers, support under Rural Development Programme schemes (Countryside Stewardship and Environmental Stewardship), and market support in the agricultural sector, as created by retained EU CMO legislation.

7.2 These instruments are necessary to ensure payments to CAP scheme beneficiaries continue in the UK following EU Exit, and within a suitable financial framework. This will help to deliver a smooth EU Exit transition and clarify how support schemes will be regulated and administered on a UK level, providing certainty to stakeholders. These payments will help to support UK agri-food and farming industries until the

Agriculture Bill (introduced to Parliament on 12 September 2018) or future Agriculture Bills in the Devolved Administrations come into effect.

- 7.3 If these instruments are not in place for EU Exit, the existing retained EU CAP “Horizontal” framework will contain unworkable rules, affecting how funding is disbursed to the agricultural sector. If these instruments are not in place appropriate authorities will not have the powers to check and enforce the eligibility conditions for such funding.
- 7.4 The UK Government has pledged to commit the same cash total in funds to support farmers until the end of the current Parliament, expected in 2022. The UK Government has also guaranteed that any CAP Pillar 2 projects where funding has been agreed before the end of 2020 will be funded for their full lifetime. These instruments will enable these funding commitments to be realised and delivered through a domestic financial framework.
- 7.5 The changes to the law introduced by these instruments aim to maintain the status quo and are largely minor and technical in nature. They are outlined below and explained in much further detail in Annex 2 of this explanatory memorandum:
- i. amending references to the EU, EU institutions such as the European Commission, and “Member States” to reflect the domestic equivalents;
  - ii. removing EU administrative processes which lose their purpose outside of the EU context, where a third party relationship between actions carried out by member states and the Commission exists;
  - iii. removing the Crisis Reserve, which relies on deductions being made to direct payments across the EU to finance a central reserve that can be used in times of crisis affecting the EU’s agricultural sector;
  - iv. removing “standard amounts” which is a European Commission practice used to part-finance CMO public intervention schemes;
  - v. removing EU auditing and accounting rules to enable suitable UK equivalents to take their place;
  - vi. removing the requirement to report into the EU’s common monitoring and evaluation framework, which will be replaced by existing domestic policy evaluation;
  - vii. removing the EU’s financing model across member states, reverting to the existing domestic financing model;
  - viii. changing the current role of the UK Co-ordinating Body (UKCB) so that it is no longer required to offer information to the European Commission.
- 7.6 It is worth noting that Defra has decided to retain references to Euros in retained EU legislation at the point of EU Exit. This is because both Defra and the Devolved Administrations are in agreement that undertaking a currency conversion to sterling at this point would be problematic from an operational perspective.
- 7.7 Some of the changes in these instruments are closely linked to other separate instruments that Defra will be laying before Parliament. These instruments are:
- i. The Agriculture (Legislative Functions) (EU Exit) Regulations 2019 – due to be laid before Parliament by end of February 2019;
  - ii. The Agriculture (Legislative Functions) (EU Exit) (No. 2) Regulations 2019 – due to be laid before Parliament by end of February 2019;

- iii. The Common Organisation of the Markets in Agricultural Products and Common Agricultural Policy (Miscellaneous Amendments) (EU Exit) Regulations 2019 – due to be laid before Parliament by end of February 2019; and
- iv. The Common Agricultural Policy and Agriculture and Horticulture Development Board (Amendment etc.) (EU Exit) Regulations 2019 – which was laid before Parliament in January 2019.

7.8 Agriculture policy is a devolved matter in Scotland and Wales and a transferred matter in Northern Ireland. These instruments will apply across the UK to provide a common approach to the retained EU CAP “Horizontal” framework. Throughout the workability process there have been discussions with, and constructive input from, the Devolved Administrations. After EU Exit, under the proposals contained within these two instruments, each Devolved Administration will continue to be able to make its own policy choices within the limits of the modified retained EU CAP “Horizontal” framework.

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

8.1 These instruments are being made using the power in section 8(1), and paragraph 21 of schedule 7 to, of the European Union (Withdrawal) Act 2018 to address failures of retained EU law to work 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 These instruments have not been subject to formal consultation because: they aim to retain the status quo, are largely minor and technical in nature, and make no substantive policy changes.

10.2 However, on 25 September 2018, Defra met with the Rural Payments Agency’s Industry Partnership Group. Stakeholders were informed of plans to make both retained EU CAP regulations and existing UK CAP regulations fully workable at the point of EU Exit. This will 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 EU Exit. No concerns were raised. Stakeholders present were the:

- 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.

- 10.3 A further meeting was held on 26 November 2018 between Defra and the Rural Payment Agency’s ‘Industry Partnership Group’, detailed above, to update stakeholders further on law-making progress in preparing for EU Exit.
- 10.4 These instruments, and the policy reflected in them, have been developed in collaboration with officials in the Scottish and Welsh Devolved Administrations and the Department of Agriculture, Environment and Rural Affairs (“DAERA”), in Northern Ireland.

## **11. Guidance**

- 11.1 Defra is not producing any specific guidance on these instruments, as they only amend deficiencies in retained EU regulations arising from the UK’s EU Exit. They maintain the status quo and ensure CAP payments can continue to be made after EU Exit.
- 11.2 The Government has published Technical Notices at <https://www.gov.uk> to help the public prepare, in the event of a “no-deal”, for how CAP will be handled after EU Exit. These provide relevant background information to the CAP-related content of these instruments. They are:
- i. ‘Farm payments if there’s no Brexit deal’ (see: <https://www.gov.uk/government/publications/farm-payments-if-theres-no-brex-it-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-brex-it-deal>).

## **12. Impact**

- 12.1 There is expected to be no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is expected to be no, or no significant, impact on the public sector.
- 12.3 An Impact Assessment has not been produced for these instruments as no, or no significant impact on the private or voluntary sector is foreseen. The purpose of these instruments is to maintain existing regulatory standards when we leave the EU and make operable existing CAP policy. These instruments will not implement any substantive policy changes, it will address technical deficiencies in retained EU CAP legislation and so there is expected to be minimal impact on business.

## **13. Regulating small business**

- 13.1 The instrument applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 13.3 The basis for the final decision to take no action to assist small businesses is that no disproportionate impacts are expected to affect small and micro businesses.

## **14. Monitoring & review**

- 14.1 Defra and its agencies will monitor and review the impact of these instruments as part of its standard policy-making procedures, and will ensure that the provisions are adhered to.

14.2 As these instruments are made under the powers in the European Union (Withdrawal) Act 2018, no review clause is required.

**15. Contact**

15.1 Hannah Serna at Defra: 0208 026 6035 or email: [hannah.serna@defra.gov.uk](mailto:hannah.serna@defra.gov.uk) can be contacted with any queries regarding these instruments.

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 Robert Goodwill MP, the Minister of State for Agriculture, Fisheries and Food at Defra, can confirm that this explanatory memorandum meets the required standard.

# Annex 1

## 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.
Appropriateness	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 instrument 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 European Union (Withdrawal) Act 2018 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	Sub-paragraphs (3) and (7)	Ministers of the Crown	Set out the 'good reasons' for creating a

offences	of paragraph 28, Schedule 7	exercising sections 8(1), 9, and 23(1) or jointly exercising powers in Schedule 2 to create a criminal offence.	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 instrument is urgent.
Explanations where amending regulations under s. 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 1972.	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA 1972, identifying the relevant law before exit day, and explaining the instrument's effect on retained EU law.
Scrutiny statement where amending regulations under s. 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 1972.	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) Act 2018

#### 1. Appropriateness statement

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

“In my view the Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019 and the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 do no more than is appropriate.”

- 1.2 This is the case because: the changes made by these instruments are the minimum required to ensure that retained CAP “Horizontal” EU regulations remain workable after EU Exit. The changes are predominantly technical in nature and do no more than is strictly necessary to ensure that the law continues to function effectively. See section 2 in Annex 2 of this explanatory memorandum.

#### 2. Good reasons

- 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 there are good reasons for the provisions in these instruments, and I have concluded they are a reasonable course of action.”

- 2.2 These are: the changes to these retained EU CAP “Horizontal” regulations are necessary to ensure the framework for CAP delivery in the UK remains workable after EU Exit, enabling CAP programmes to continue to operate, ensuring a smooth transition. These instruments will provide continuity and security to farmers and landowners in the agricultural sector.

#### 3. Equalities

- 3.1 The Minister of State for Agriculture, Fisheries and Food, George Eustice MP, has made the following statement(s):

“These draft instruments do 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.”

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

“In relation to these draft instruments, 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.”

#### **4. Explanations**

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

## Annex 2

### Further detail on the amendments made by these Statutory Instruments set out in the main body of this explanatory memorandum

**1. Common amendments across both the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019 and the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019**

The following table sets out common amendments across both of these instruments by policy area:

Common amendments across both instruments	
<p>Amending references to the EU, EU institutions such as the European Commission, EU funds such as the European Agricultural Guarantee Fund, and “Member States”.</p>	<p>After EU Exit, certain terms in the retained EU CAP “Horizontal” regulations will need correction in order to refer to their appropriate UK equivalent. The functions needed to make the UK framework work will need to reflect the UK context and it is therefore appropriate to replace such terms as ‘EU’, ‘European Commission’ and ‘Member States’. After EU Exit, there will be a domestic framework for the financing of agricultural payments, replacing the current framework involving EU funds. It is therefore appropriate to replace references to EU funds, i.e. the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, with references to domestic agricultural support.</p>
<p>Removing administrative processes which lose their purpose outside of the EU context, such as rules requiring paying agencies to be accredited.</p>	<p>The EU’s framework for the CAP requires Member States to accredit their paying agencies before they are able to make payments involving EU funds. Given that the UK’s paying agencies are public bodies, it would not be appropriate to require that they be accredited as trusted third parties when operating outside of the EU context.</p>
<p>Removing the EU crisis reserve, which relies on deductions being made to direct payments across the EU to finance a central reserve that can be used in times of crisis affecting the EU’s agricultural sector.</p>	<p>The EU CAP “Horizontal” legislation establishes a crisis reserve from which the European Commission can provide funding to EU Member States in the event of a crisis affecting the agriculture sector. The reserve is financed by Member States making a mandatory reduction to the Direct Payments they make to farmers within their territories. Where the crisis reserve is unused in a given year, these contributions are subsequently reimbursed to farmers in the following financial year. The UK currently</p>

	<p>contributes approximately €38m per annum to the reserve. The EU's current crisis reserve has never been used for crisis compensation so far, meaning that farmers have received a reimbursement of the deductions made to Direct Payments every year.</p> <p>After EU Exit, UK participation in the EU crisis reserve becomes unworkable. Making the EU's concept of the crisis reserve operable in the UK would mean taking the UK's contributory 'share' of the existing reserve as the basis for an entirely UK reserve. This is likely to be of limited value in response to a crisis, especially when divided between England, Wales, Scotland and Northern Ireland. For England, we are making provision in the Agriculture (Legislative Functions) (EU Exit) 2019 Regulations to make the financial discipline mechanism contained in Regulation (EU) 1306/2013 workable.</p>
<p>Removing 'standard amounts' from the operation of public intervention schemes.</p>	<p>CAP Public Intervention schemes support the market by buying agricultural products and placing them in storage when the market price for those products falls below a specified value. The products are then released back onto the market once the price recovers.</p> <p>The EU CAP 'Horizontal' legislation sets out a standard amount, which is a financial value the European Commission uses to reimburse Member States per quantity of agricultural products they buy up as part of a Public Intervention scheme. The standard amount supports the physical operations associated with keeping products in storage, such as costs for entry into storage, moving stock once in storage, and removing stock from store. To ensure consistency in the reimbursement value of the cost of operations that can vary substantially across the EU, a standard amount is used to prevent unequal apportionment of EU funds.</p> <p>After EU Exit, the concept of the standard amount becomes unworkable for two reasons. Firstly, after EU Exit, the UK will operate its own domestic funding framework, which will not reflect the EU's model of reimbursement (this is explained further below). Secondly, the need to level out variations in storage costs through the use of a standard amount does not present the same concerns in a UK context as it does in the EU context. Public intervention in the UK is carried out at a UK level and on the basis of UK procurement procedures designed to achieve the best value for money.</p>
<p>Removing EU auditing and accounting rules to enable suitable domestic equivalents to take their place.</p>	<p>Under the present EU funding system, Member States make payments to beneficiaries under CAP schemes and where those payments are eligible for EU funding, they submit a claim to the European Commission for reimbursement out of EU funds.</p> <p>The European Commission has the power to apply reductions (known as financial corrections or disallowance) to reimbursements from EU funds to reflect any audit findings leading to a decision that a Member State has not made payments in conformity with the applicable rules.</p>

	<p>This system differs from the normal model of public financing in the UK, which does not involve reimbursement of payments from a central fund and financial corrections.</p> <p>From EU Exit, UK administrations will only be subject to an existing domestic framework for the financing, accounting and auditing of payments, which is set out in the following domestic legislation:</p> <ul style="list-style-type: none"> <li>• In England, the Government Resources and Accounts Act 2000;</li> <li>• In Wales, the Government of Wales Act 2006;</li> <li>• In Scotland, the Public Finance and Accountability (Scotland) Act 2000; and</li> <li>• In Northern Ireland, the Government Resources and Accounts Act (Northern Ireland) 2001.</li> </ul> <p>Within this framework, public bodies in England, Wales, Scotland and Northern Ireland prepare financial accounts in accordance with the Government Financial Reporting Manual (FReM) issued by Her Majesty’s Treasury, which applies International Financial Reporting Standards (IFRS), as adapted for the public sector.</p> <p>Domestic audits are also subject to the National Audit Act 1983 (as amended by the Budget Responsibility and National Audit Act 2011).</p> <p>In addition, domestic public bodies involved in the administration of agricultural support payments are scrutinised through internal audits. The Government Internal Audit Agency audits the English paying agency, and equivalent practices apply to the Devolved Administrations.</p>
<p>Changing the role of the UK Co-ordinating Body (UKCB).</p>	<p>The EU CAP Horizontal legislation requires a co-ordinating body to coordinate financial information within Member States which operate with more than one paying agency, acting as an intermediary between the Member State and the European Commission. In the UK, domestic law sets out that the UK Co-ordinating Body is the Secretary of State, Scottish Ministers, Welsh Ministers and DAERA acting together. Civil servants act as secretariat for the day to day performance of the role. This will continue to be the case after EU Exit, but as there is no longer the need to account for multiple member states, the governance arrangements for the UK are now set out directly in The Common Agricultural Policy (Financing, Management and Monitoring) (Miscellaneous Amendments) (EU Exit) Regulations 2019. The UKCB will continue to oversee the operation of some CAP provisions in the UK where financial information must be collated at a UK level, and will continue to maintain a website providing details of CAP beneficiaries.</p>

**2. EU Regulations amended by the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019**

The following table sets out the regulations which will be amended by this instrument. No regulations are being revoked by this instrument:

Regulation	Further detail
Regulation (EU) No <b>1306/2013</b> of the European Parliament and of the Council of 17 December 2013 on the financial management and monitoring of the Common Agricultural Policy (“CAP”)	This regulation sets out the overarching framework for how the CAP functions. Further subsequent EU regulations work together to detail the framework and rules necessary to administer the CAP.
Common Delegated Regulation (EU) <b>639/2014</b> of 14 March 2014 supplementing Regulation (EU) No 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and amending Annex X to that Regulation	This instrument implements a consequential amendment to article 11(1) of this regulation, making a technical change to amend reference to European funds.

**3. EU Regulations amended by the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019**

The following table sets out the regulations which will be amended by this instrument:

Regulation	Further detail
Commission Delegated Regulation (EU) No <b>640/2014</b> of 11 March 2014 supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system and conditions for refusal or withdrawal of payments and administrative penalties applicable to direct payments, rural development support and cross compliance	This regulation lays down provisions which supplement certain non-essential elements of Regulation 1306/2013. These provisions provide for the calculation and withdrawal of aid, administrative penalties and technical rules around payment entitlements.  After EU Exit this regulation will continue to supplement the overarching CAP framework by providing the technical details outlined above to ensure that the CAP can be implemented domestically.
Commission Implementing Regulation (EU) No <b>809/2014</b> of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross compliance	This regulation lays down rules which ensure the coherent application of Regulation 1306/2013 in relation to control measures, administrative penalties and checks. These ensure that after EU Exit paying agencies will be able to carry out on-the-spot and administrative checks in relation to cross-compliance and administer administrative penalties effectively after EU Exit.
Commission Implementing Regulation (EU) No <b>906/2014</b> of 11 March 2014 supplementing	This regulation lays down the conditions and rules applicable to the financing of direct payments and CMO support

Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to public intervention expenditure	including in relation to, intervention measures in the form of public storage, financing of intervention expenditure incurred through public storage operations, and the valuation of public storage operations.
Commission Implementing Regulation (EU) No <b>907/2014</b> of 11 March 2014 supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of the euro	This regulation lays down rules supplementing Regulation 1306/2013 which provide rules relating to public intervention; public storage; and the form, forfeiture and release of securities.
Commission Implementing Regulation (EU) No <b>908/2014</b> of 6 August 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to paying agencies and other bodies, financial management, clearance of accounts, rules on checks, securities and transparency	This regulation provides rules for the application of Regulation 1306/2013 in relation to the functioning of the coordinating body (i.e. the Relevant Authorities acting jointly), recovery of undue payments, reduction of on-the-spot checks, scrutiny measures, securities and general rules on the accounts held by paying agencies on public storage and public intervention.

#### 4. EU Regulations revoked by the Common Agricultural Policy (Financing, Management and Monitoring Supplementary Provisions) (Miscellaneous Amendments) (EU Exit) Regulations 2019

The following table sets out the reasoning behind the revocations listed in this schedule in this instrument:

Regulation	Reason for revocation
Commission Implementing Regulation (EU) No <b>834/2014</b> of 22 July 2014 laying down rules for the application of the common monitoring and evaluation framework of the common agricultural policy	This regulation currently provides a framework for Member States to report to the EU to inform an evaluation of the effectiveness of the CAP, as part of the Common Monitoring and Evaluation Framework. Since agriculture is devolved in the UK and the UK will no longer participate in the EU's CAP when operating outside of the EU context, there is no need to make a common framework for the evaluation of agricultural policies operable. Existing domestic policy evaluation requirements will replace the EU framework.
Commission Implementing Regulation (EU) No <b>367/2014</b> of 10 April 2014 setting the net balance available for the European Agricultural Guarantee Fund (EAGF) expenditure	This regulation sets the net balance available for EAGF expenditure across the EU which is not necessary once we revert to the domestic financing system.
Commission Implementing Regulation (EU) <b>2015/1975</b> of 8 July 2015 setting out the frequency and the format of the reporting of irregularities concerning the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, under Regulation (EU) No 1306/2013 of the European Parliament and of the Council	This regulation sets out irregularities to be reported to the European Commission to support evaluation of their audit regimes and ensure they are effective in tackling fraud. These are being omitted as they relate to the EU audit system and not to the domestic audit system.
Commission Implementing Regulation (EU) <b>2015/1971</b> of 8 July 2015 supplementing	This regulation sets out irregularities to be reported to the European Commission to support evaluation of their audit

<p>Regulation (EU) No 1306/2013 of the European Parliament and of the Council with specific provisions on the reporting of irregularities concerning the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development and repealing Commission Regulation (EC) No 1848/2006</p>	<p>regimes and ensure they are effective in tackling fraud. These are being omitted as they relate to the EU audit system and not to the domestic audit system.</p>
<p>Commission Implementing Regulation (EU) <b>2017/1758</b> of 27 September 2017 laying down form and content of the accounting information to be submitted to the Commission for the purpose of the clearance of the accounts of the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) as well as for monitoring and forecasting purposes</p>	<p>This regulation sets out the form and content of accounting information to be uploaded using EU systems in order to facilitate an EU financial audit procedure and EU budgetary management. This is specific to the EU and does not fit with domestic accounting requirements.</p>