From Clare Moriarty
Permanent Secretary

Dear Neil

Thank you for your letter of 26 March 2018 regarding Defra’s 2017-18 Supplementary Estimate, and the accompanying memorandum.

Annex A sets out responses to the questions you raised. Please let me know if I can provide any further information.

CLARE MORIARTY
Annex A

EU Exit costs

1. The Department is one of those most affected by Brexit. It has requested an additional budget of £58 million for administration and £9 million for capital as a result of EU Exit. Can you provide a breakdown of where it plans to use this funding?

Over 80% of Defra’s business is affected by the UK’s departure from the European Union (EU). HM Treasury provided this funding to allow Defra to begin preparing for a successful EU Exit across the full range of its business portfolio. Key activities include:

- Scoping and beginning to develop new IT systems to maintain smooth trade in agri-foods and chemicals, and supporting the associated trade negotiations;
- Undertaking the necessary groundwork to ensure that the UK has a robust environmental regulatory framework after exit; and;
- Developing the Government’s approach to farming and fisheries for when we exit the EU.

2. Why is the new EU Exit Resource DEL budget entirely administrative – does Defra not have any programme development as part of EU Exit?

In addition to funding from the Reserve, Defra has also reprioritised other existing budget to support EU Exit preparedness work, namely £20 million earmarked for voluntary exit schemes that are no longer required and £7 million originally allocated for the EU Presidency. This funded programme expenditure on EU exit, which related to research and evidence projects and the development of ‘front-line’ IT systems. The final amounts will be confirmed once the 2017-18 out-turn is confirmed and published in the Annual Accounts.

Inter-departmental transfers

3. The Department is transferring £27 million in Capital DEL to the Department for International Development for the International Climate Fund, and receiving £28 million in Resource DEL for the same fund. This effectively appears to be a CDEL to RDEL switch, which is against Treasury guidance. Can you explain the reason for these transfers?

In 2017-18 Defra and DfID decided to fund a new project (the Global Environment Facility 6th Replenishment) within the Government’s ring fenced budget for Official Development Assistance (ODA). As part of a detailed analysis of the budget requirements we established that this would require programme budget rather than the capital that Defra had available. However, DfID confirmed that they had separately identified a suitable capital project they wished to undertake and so we agreed a switch in the Supplementary Estimate to ensure both departments had the requisite budget within the correct classifications.
Flooding Investment

4. The capital budget for Flood and Coastal Risk Management (FCRM) is re-profiling £30 million of investment from 2017-18 to 2019-20. What are the reasons for the two year delay to this spending?

The profiling change relates to the use of the £2.6 billion of funding provided to better protect 300,000 households from flooding. The original funding profile was accelerated at the start of the programme following discussions with HM Treasury. The department is delivering this work through Risk Management Authorities, which includes The Environment Agency, Local Authorities and Internal Drainage Boards. The Environment Agency is responsible for spending 80% of the capital funding for flood defence investment. The remaining 20% is due to be spent by other Risk Management Authorities but some have found it difficult to manage the current workload in line with funding, so we have made a decision to re-profile the spend. The re-profiling will enable us to deliver a more efficient programme. The programme is on track to achieve the 300,000 households target, having achieved 143,000 houses better protected at 31 March 2018.

5. Why is Defra making an additional claim on the Treasury Reserve for ‘Flood Resilience’ and ‘Flood Repair grants’ when capital spending on FCRM is being delayed?

Additional funding for Northern recovery projects following the 2015-16 floods was supplied by HM Treasury from the Emergency Reserve. We were initially allocated £75 million of funding for this work but required a small additional increase which was approved by HM Treasury. This funding is required to make good the damage caused by the flooding and is separate from the £2.5 billion for new capital schemes.