Dear Neil,

Thank you for your letter of 6 June 2018 regarding Defra’s 2018-19 Main 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

1. The Main Estimate 2018-19 Memorandum states “Spending on EU Exit preparedness will increase during the period covered by this Main Estimate. HM Treasury have agreed a total of £320m to be allocated for this purpose. This budget increase will be processed in the 2018-19 Supplementary Estimate, with £310m of the total £320m being allocated from the Reserve.”

- Why is this additional budget only being processed in the Supplementary Estimate, given it was committed at the Spring Statement, ahead of the current financial year, and what issues has this delay caused Defra?
- Where is the additional £10 million being funded from (the remainder of the £320 million that is not from the Reserve)?

As with all claims on the Reserve, the claim on the Reserve for EU Exit will be processed in the Supplementary Estimate to ensure compliance with HM Treasury’s Consolidated Budgeting Guidance: “The drawdown of funding from the Reserve is subject to an assessment of need, realism and affordability at the time at which the funds are released. Reserve claims approved by the Chief Secretary should therefore normally be voted at Supplementary Estimates when such an assessment can most easily be made.” The advantages of this policy are evident here, as the additional EU Exit budget is based on the Government’s planning advice to departments at the time of settlement (13 March 2018). Should Cabinet policy on EU Exit change that would materially affect this allocation, then it will be reviewed before the Supplementary Estimate is confirmed.

Whilst funding will not be confirmed until the Supplementary Estimate we have sufficient certainty on the work we must undertake. The timing of budget confirmation has not inhibited our need to spend on important tasks ahead.

The additional £10 million is being funded by reallocating funding that was originally ring-fenced for Voluntary Exit Schemes.

2. The reconciliation of the Main Estimate 2018-19 to the Spending Review plans shows £40 million “additional funding allocated to the flood defence maintenance budget in the 2016 Budget” and £45 million “additional funding allocated to the Clean Air Fund in the 2017 Autumn Budget.” However, the policy costings for those items showed about £200 million and £180 million per annum respectively.

- What is the reason for the differences in these totals?

In both cases the Main Estimate figures represent funding allocated specifically to Defra, while the policy costings figures reflect planned spend across Government.

The £205 million policy costing for flood defence and resilience in 2018/19 was published in Table 2.1 of the Budget 2016 policy decisions document. Defra was
allocated £40 million Resource DEL budget for flood defence maintenance, along with £55 million Capital DEL budget for flood defence capital programmes. The remaining funding was either allocated to other departments or held in reserve for the remaining Spending Review period for Defra/other departments to draw down as required.

The £180 million policy costing for the Air Quality Plan and the Clean Air Fund in 2018-19 was published in Table 2.1 of the Autumn Budget 2017 policy decisions document. It also includes funding from the cross Government Implementation Fund.