

Response to consultation on Stability and Simplicity proposals for a rural funding transition period – Scottish Government

Direct Payments – (Pillar 1)

Question 1: Do you agree with the stability approach described here? Please provide comments.

Broadly, yes, as long as accompanied by clear action to develop and test pilots that will eventually replace CAP mechanisms.

Question 2: How might the annual application process for direct payments be adjusted to deliver with a lighter touch for those with little year-on-year change in their business?

Minor adjustments below a defined limit (by field / parcel and overall farm area) do not prompt an error / correction requirement.

Question 3: Are there operational changes in our delivery of Direct Payments that you would like the Government to consider during the transition period?

All payments paid on time and up to date at the beginning of transition.

Question 4: Do you support the continuation of some or all CAP rules on inspections and compliance during the transition period, bearing in mind that Scotland will still need to comply with the rules of the World Trade Organisation (WTO)?

We support the objective of ensuring that environmental standards do not regress during and after transition. However, we also want to encourage a system that builds the engagement of land managers and focuses more on sound outcomes than on prescriptions and processes. We should use transition to explore pilots that place emphasis on encouragement, whilst recognising any relevant WTO constraints that may apply.

Greening

Question 5: Do you have any suggestions for straightforward changes that would improve the environmental outcomes achieved through greening payments in Pillar 1?

GWCT would support retaining greening measures in a modified form.

- The “three crop rule” specifying crop rotation and area should be replaced with a requirement to grow both exploitative and restorative crops in a rotation – those that take from the soil, and those which allow it to recover. This would include funded grass phases in arable rotations.
- Permanent pasture: the present system to maintain national levels of permanent pasture should remain, however long-term grass leys should not be classified as permanent until they are at least eight years old. Grass strips around arable fields should not be classed as permanent pasture. Farmers could receive payments for the environmental benefits of permanent pasture.
- Ecological Focus Areas: EFAs should remain at 5% and be used for growing insect- and bird-friendly seed mixes. The use of plant protection products to manage these options should only be restricted by the product label recommendation.

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Maximising Available Funding

Question 6: Considering how funding is currently distributed across CAP schemes, do you have initial views about how the balance between these schemes should change in future to maximise outcomes?

Recognising the benefits of collaboration both for efficiency, productivity and increasingly for environmental benefits, our long-term view is that there should be a greater element of funding dedicated to co-operation and farmer clusters. We also need to build a more practical balance of funding between sustainable productivity on our better farmland and the significant High Nature Value of 'Less Favoured Area' in Scotland.

Question 7: Do you agree that changes to capping are a useful measure to enhance the positive social and environmental impact of agricultural policy?

Our general observation is that current CAP funding tends to give greater reward to larger producers, rather than smaller operations, such that around 80% of funding for the basic payment scheme goes to only 20% of producers.

In our opinion, tapering payments is a better way forward to ensure that small farms are rewarded for the proportionately greater amount of time/ha they spend on cross compliance, while recognising that large farms often have the resources to deliver basic environmental benefits, but also the greatest need to achieve basic levels of compliance.

Question 8: Do you have any specific views on how capping should work including what a maximum cap should be?

We are not convinced that there should be an absolute cap for the reason set out above

Question 9: Should there be a maximum cap on the total funding a business receives from all schemes, or a scheme-by-scheme approach?

If more funding is directed towards collaborative or cluster farming schemes, rules would have to be refined to ensure an equitable distribution of support amongst the cluster members.

Less Favoured Area Support Scheme (LFASS)

Question 10: How can the aims of LFASS be better achieved/would you prefer to see alternative methods of providing support?

It makes sense to retain the framework of LFASS through the initial Brexit upheaval to mitigate reduction in funding during 2019. This would present a challenge for 2020 funding (20% of current LFASS), but from 2021, it would be practical to migrate LFASS to a direct payment system, with possible further top-ups for collaborative / cluster working that maintains High Nature Value and public benefits

Question 11: Would you see value in directing future LFA support through other existing Direct Payment Schemes?

It would make more sense for LFASS to be made as a direct payment or as an appropriate top-up to VCS during transition. Beyond Brexit, as indicated above, there should be options for managers to build on the capacity of LFA's for High Nature Value, either through a specific menu of schemes and encouragement of long-term collaboration.

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Question 12: Do you think there are administrative and operational simplifications that would benefit current or future LFASS claimants?

Automatic payment (rather than having to indicate and opt for LFASS) according to region payments. Longer-term, redefine payments as direct support, enhanced if in a collaborative scheme

Mapping and associated scheme rules

Question 13: Would you support a simplified approach to scheme use of map information or to the land mapping system and, if so, do you have views on where the main opportunities for doing so would lie?

Yes, tolerance limit per hectare and an overall tolerance limit to prevent 'eligibility creep', or balanced by a change in land type / use designation

Inspections

Question 14: Do you support the use of regional pilots to help tailor schemes to local circumstances?

Yes, possibly even at catchment or farm cluster group level (subject to minimum area) for targeted agri-environment scheme support.

Question 15: Do you have views on how the inspections regime could be made more efficient while retaining existing public benefits?

There are various schemes where similar requirements converge, for instance, QMS, LEAF, health schemes and SEPA inspections. It would be beneficial to move towards a single annual inspection for basic compliance, which acts as gatekeeper to future scheme payments. This could be built on as future agri-environment schemes based on public benefit or payment by results are implemented.

We would see such annual inspections increasingly being carried out by UKAS accredited inspectors, able to assess the quality and quantity of environmental outcomes achieved as new agri-environment schemes are introduced. SGRPID continue to undertake a sample of farms as a cross-check on basic compliance standards.

Work towards EID for appropriate for different livestock types. Ultimately, this will produce administrative, working and inspection efficiencies.

Penalties

Question 16: Do you have views on how the penalty regime – particularly around fairness, transparency, the maintenance of standards and compliance burden – could be improved in the short-term

If we move towards an annual inspection, the possibility of minor non-compliances could be noted for rectification. Persistent or serious breaches would result in non-qualification for basic payments, or access to other schemes.

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Simplification Task Force

Question 17: Are there specific issues you think the Simplification Task Force should prioritise for review?

Yes, we need to focus on development of coherent, integrated land management policy. We have had a procession of overlapping strategies and consultations which now require to be translated into simple, practical delivery systems 'on the ground'. These should encourage engagement and deliver recognisable, valuable outcomes. These outcomes should be based on natural capital principles and articulated at local or catchment level for collaborative rural economic, social and biodiversity benefits.

Transition Period

Question 18: Do you agree with the proposals to set a timescale of up to five years for transition? Please provide comments.

Yes, agree with the 5-year period, but it should be used for genuine transition, using the time to develop constructive pilots that ultimately replace CAP with more efficient, practical support to maintain and enhance the Scottish rural economy, community and biodiversity.

Opportunities for innovation and collaboration

Question 19: If new schemes seek to encourage collaboration, enhance skills development, help with capacity building, facilitate wider integration into the supply chain, promote carbon audits and monitoring of the soil health, how might pilot projects be best designed to help test and develop new approaches?

Scotland has been successful in driving agricultural business efficiency, innovation and collaboration through co-operative and similar schemes. This is supported by funding to encourage feasibility development plans. We need to encourage similar development of natural capital / public benefits through facilitation of farmer clusters.

Climate Change

Question 20: Many of the measures described in this consultation will have co-benefits for both agricultural productivity and for reducing Scotland's Greenhouse Gas Emissions. Are there other practical and feasible measures that would have similar co-benefits that you feel should be considered?

Climate Change Risk Assessment, the forerunner to the Climate Change (Scotland) Act, identifies the likelihood of:

- Drier summers
- Changes in soil conditions
- Climate change resulting in loss of species and changes in migration
- Warmer conditions may improve forest productivity and agricultural crop yields, but also hold the potential for increased pests and diseases
- Increased flood risks

Encouragement of adaptive or mitigation techniques to address all these risks. Delivery via collaborative best practice approaches. Focus on forestry management that produces net CO2

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absorption rather than cycles of absorption and emission dependent on planting and harvesting cycles.

Monitor farm expansion – innovation, diversification and sustainability

Question 21: Do you agree to expanding the number and role of Monitor Farms or similar during the transition period? Do you have any ideas as to how Monitor Farms could be refined or adapted to better meet future needs

We agree to expanding the number and role of monitor farms during the transition period. Their success in generating focus on efficiency and profitability needs to be taken further in more marginal farming areas, for instance on hill edge, to help farmers take on board measures, particularly around collaboration to help them manage costs. Equally, we think that the monitor farms could be valuable test-beds to show how efficiency / profitability can be balanced with future Natural Capital sustainability requirements in respect of soil, water, carbon, habitats and species.

Performance

Question 22: Do you agree with the proposal to look at moving towards a more performance-based approach to compliance, using key performance indicators and better information?

We agree that a performance-based component for compliance is desirable, but caution that we must avoid this becoming a charter for all the bureaucratic and administrative burdens that we are trying to reduce. The commentary on the Agricultural Champions' perspective in the consultation document ("...linking financial support to participation in specific schemes or advice services which would operate as a form of required continuous professional development and that baseline data should be collected to allow for comparative benchmarking.") suggests that they are drawing largely on the experience of existing schemes and business productivity. Whilst important for a measure of continuity during transition, we also suggest that consideration is also given to trialling sustainability through:

- maintenance of a natural capital asset register and balance sheet)
- payment by results, supported by evidence of maintaining or improving on the condition of soils, water, carbon, habitat and species

In this context, we think that pilot 'payment by results' schemes should a) address the concern that recompense for 'cost incurred and income foregone' in an agri-environment scheme will not necessarily generate an income or profit (and thus may deter participation in an A-E scheme), b) recognise that the alternative - payment by results - might be seen as 'betting the farm', whereas 'betting the bonus' (some specific improvement such as improvement in ground nesting bird numbers alongside productive farming) might be a more practical way to focus on sustainability.

Question 23: Do you have views on the types of indicator that should be used or areas of priority action within the operation of current CAP schemes? Scottish Rural Development Programme (Pillar 2)

Within the operation of current CAP schemes, we think it makes sense to retain stability, simplicity, sustainability, and safety as areas of priority, but we should also recognise the need to trial and migrate to an increased focus on sustainability, alongside productive farming, during the transition period.

Land-based Schemes

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Forestry Grant Scheme

Question 24: Given the importance of continuity of support for the forestry sector and that the target for new woodland is to increase to 15,000 hectares by 2025, should the current Forestry Grant Scheme continue broadly in its current form until 2024 or can you suggest other short-term changes that would better achieve these policy aims?

There is increasing recognition about the need to plant ‘the right trees in the right places’ yet the target for increase in new woodland up to 15,000 ha by 2025, chiefly softwood, might indicate that these two aims will sit uneasily together. We need to ensure that they are compatible. We must maintain and, preferably, enhance biodiversity through planting, and continually achieve significant net absorption of CO₂ to offset fluctuations through ‘growth and harvest cycles’. We should take the opportunity in transition to consider forestry policies that achieve both aims.

To accommodate the new woodland growth targets, it looks like they might be attained with the approval of very large schemes and greater persuasion of farmers and land-owners as to combined forestry and agriculture schemes. In the short-term, more needs to be done to demonstrate why farmers should consider such packages, particularly around why they should consider investing for long-term forestry income over more short-term farming income. This suggests we need to be thinking about public goods funding that offers farmers more incentives to integrate woodland planting into their plans. Noting the recommendations of the recent Mackinnon report and our support for farming clusters, we think more could be done to raise awareness and encouragement of collaborative applications.

Question 25: In considering the current Forestry Grant Scheme, are there opportunities to improve the administrative efficiency of the scheme?

We note the recent Mackinnon report recommendations and the work streams to deliver on them. We are not yet clear that these are improving administrative efficiency of the FGS but recommend that stakeholders closely monitor for any indications and react accordingly.

Agri-Environment Climate Scheme

Question 26: Given the importance of continuity of support for environmental outcomes, should the current Agri-Environment Climate Scheme continue broadly in its current form until 2024 or are there short-term changes that could be introduced to i) simplify and streamline the scheme, ii) improve customer experience and/or iii) enhance the delivery of environment and climate change objectives?

- i) Simplification is required to improve the application process and the scheme regulations. We must reduce the prescriptiveness of A-ECS and should use transition to pilot an increasing focus on outcomes rather than process.
- ii) We should also use transition to pilot encouragement of collaboration and clusters as a simple means of addressing the inherent bias of A-ECS against applications from smaller farms
- iii) We believe that facilitation through qualified advisers would materially help to encourage clusters and collaboration without necessarily requiring full participation in A-ECS. However, facilitation (for instance in terms of helping to maintain a species and habitats asset register) could help pave the way towards future A-E schemes based on public benefits. We think that the current structure of A-E advisory support in Scotland needs to be augmented with skills and experience in species and habitats.

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Question 27: Are there new emerging environment or climate change priorities that need particular focus under the Agri-Environment Climate Scheme in the next three - five years

To complement the increasing strategic focus on Natural Capital, our environment and climate change schemes need to adapt to show outcomes that demonstrate maintenance or enhancement of soils, water, carbon, species and other assets. We should use the opportunity in transition to test pilot schemes that foster landscape-scale and catchment natural capital initiatives, for instance through compiling risk registers and balance sheets that help us to understand where, and on what assets we need to concentrate our management.

Capital Grant Schemes

New Entrants

Question 28: Considering the current New Entrants Capital Grant Scheme, are there opportunities to improve the administrative efficiency of the scheme?

We aren't aware of any fundamental issues that affect efficiency of the New Entrants scheme.

Crofting Agricultural Grant Scheme

Question 29: Considering the CAGS in its current form, are there opportunities to improve the administrative efficiency of the scheme?

We aren't aware of any fundamental issues that affect efficiency of the CAGS scheme.

Question 30: Should the scope of what can be funded be reviewed, for example in terms of adding in new elements and restricting total spend on some projects?

Encourage croft improvements using Natural Capital as benchmark. Access to training support. Consider how encouragement of woodland management could fit in with crofting system

Small Farms Grant Scheme

Question 31: Do you have initial views on this proposal?

With only 31 applications since 2015, this suggests that funding can be better utilised in other schemes, but it may be worth considering whether the 3-30ha eligibility range is wide enough to encourage take-up, particularly around opportunities to diversify.

Question 32: Would there be customer benefits if the CAGS, small farms capital grant scheme and the new entrants capital grant scheme were combined?

Uncertain. It would need to be accompanied by a reduction in scheme rules to encourage small farm diversification

Food Processing, Marketing and Co-operation

Question 33: Considering the current FPMC scheme, are there opportunities to improve the administrative efficiency of the scheme?

We aren't aware of any areas where administrative efficiency could be improved.

Question 34: Would you wish to see other aspects of this scheme changed in the short-term?

Not sufficiently aware of scheme functioning to offer a view.

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Expansion of capital support

Question 35: Do you have views on priority issues to be considered by any pilots during the transition period?

Capital support for upland farms, diversification, farm buildings upgrade for diversification projects

Community Support Schemes

LEADER

Question 36: Is this an approach that you could support?

Yes, we support the approach outlined in the consultation document

Question 37: Considering LEADER in its current form, are there other opportunities to improve the administrative efficiency of the scheme?

Not aware of any concerns regarding administrative efficiency of the scheme

Broadband

Question 38: Do you have initial views on this proposal?

Yes. Any reduction in availability of support for Broadband access via SRDP needs to be matched by commensurate increase in support for Superfast or other Broadband connection support via the R100 initiative. The means for rural community access to adequate broadband for home and business must remain a key objective for the Scottish rural economy.

Advice, Innovation and Information Schemes

Farm Advisory Service

Question 39: Do you have any thoughts on the form, content and delivery methods for future advice?

Yes, there is a greater role for advice and knowledge transfer in future in areas such as productivity improvement, understanding environmental challenges, improving habitats and improving efficiency of resource use. We are particularly struck by the relative lack of advice through FAS in respect of species and habitats management. We recommend that attention is given to building up advisory resources to address this shortfall, for instance through the re-establishment of a body such as FWAG, with appropriate financial safeguards. We also think that advisory services should be thinking about the encouragement of Natural Capital benchmarking to help apply local or collaborative management (i.e. at catchment or landscape scale) to maintain and enhance natural assets.

Question 40: Do you have any views on the balance of advice delivered by one-to-one and one-to-many methods?

The encouragement of collaborations or clusters presents an opportunity to deliver advice in a slightly different context to current options. We think that this would be worth assessing as a facility sitting between the current one-to-one and one-to-many FAS delivery approaches.

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Question 41: Do you have any views on how delivery of advice can be better linked to delivery of results?

Whatever advisory route is adopted in future, advice and information needs to concentrate on establishing benchmarks from which measurable and achievable outcomes can be set. We comment in Q. 39 about Natural Capital benchmarking.

Knowledge Transfer and Innovation Fund

Question 42: Considering the KTIF scheme in its current form, are there opportunities to improve the administrative efficiency of the scheme?

Not aware of any issues concerning admin efficiency of KTIF

Question 43: Do you have any views on the effectiveness of KTIF and how the aims of the scheme could be promoted in the future?

KTIF is heavily focused on productivity and efficiency. We are aware this has prompted significant innovation. We believe that the KTIF could also be used to embrace efficient development of public benefits by encouraging Monitor Farms to engage with Natural Capital benchmarking to target outcomes that fit in with farm productivity plans. This would be particularly appropriate as part of collaborative or farm cluster initiatives.

Beef Efficiency Scheme

Question 44: Would you support a similar type of scheme going forward?

Yes, support a similar type of scheme in the short term.

Question 45: Would you support a future approach that aims to deliver similar increases in efficiency through the direct payment support mechanisms?

Yes, a more broad-based efficiency scheme based on carbon audits and/or soil testing and nutrient budgeting would be better placed as a component of direct payments. However, we argued earlier for streamlining of administration, particularly around inspections to reduce paperwork and minor infractions. We suggest a single annual inspection for basic compliance, which could include the production of suitable efficiency audits or tests, and evidence of appropriate outcomes.

Scottish Rural Network

Question 46: Do you see a continuing role for the SRN and, if so, do you agree that its current aims and objectives should be maintained during the transition period?

Yes, SRN serves a useful purpose. In future, they should be increasingly engaged in explaining emerging policies, schemes, benchmarking and outcomes regarding the maintenance and improvement of biodiversity alongside rural economic productivity and efficiency. This will require greater understanding and knowledge around natural capital assets, risks to their status and the ecosystem services they provide.

11. CONSULTATION PROCESS AND NEXT STEPS

Responding to this Consultation

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We are inviting responses to this consultation by Wednesday 15 August 2018. Please respond to this consultation using the Scottish Government's consultation platform, Citizen Space.

Please ensure that consultation responses are submitted before the closing date of Wednesday 15 August 2018.

If you are unable to respond online, please complete the Respondent Information Form (see "Handling your Response" below) and send to:

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