

Stability and Simplicity proposals for a rural funding transition period



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1. EXECUTIVE SUMMARY

Scotland did not vote for Brexit, but we now have to deal with its consequences. The Scottish Government's preferred option is for the whole of the UK to remain in the EU. Failing that, our consistent position has been that staying in the European Single Market and Customs Union is essential for Scotland's economy, particularly our rural economy. That would enable us to continue to benefit from the four freedoms, freedom of movement of goods, services, people and capital, and from a wide range of environmental, animal, plant and food standards, but it would mean we are outside the Common Agriculture Policy.

Despite the uncertainty from the UK Government on funding and powers, time is running out and we need to develop a new rural support policy for Scotland.

This consultation marks the start of that process. It forms part of the civic conversation being led by the National Council of Rural Advisors, over the summer, to start the debate on a comprehensive new approach to supporting the rural economy to achieve world class agricultural and environmental outcomes. The options set out here should be considered alongside the recommendations of the CAP Greening Group, the Agriculture Champions and the National Council of Rural Advisors (Annex A).

This paper focuses on:

- what might be done to provide stability in the period immediately after Scotland might have to leave the EU in 2019
- short term simplifications that could help current claimants of CAP-related support and improve or enhance the delivery of policy goals
- how best to support and integrate agriculture into the broader rural economy over the transition period and beyond
- how pilot projects might be developed and used to test different approaches.

Views are sought across a wide range of issues which include:

- creating a defined transition period of approximately five years to 2024 with minimal changes to current funding and payments in the earliest stages
- how to reduce the administrative burden on a range of steps in the payments system and process, including inspections, mapping and scheme rules
- at what level to cap payments to release funds to test new policy priorities
- how to protect and enhance long term future support for Less Favoured Areas
- shifting, where possible, from a strict compliance approach towards combining delivery of outcomes with support
- proposals to streamline and synergise some of the Pillar II schemes
- where we should be piloting new approaches, expanding on activity we want to continue into the future and testing fresh ideas and innovation.

2. MINISTERIAL FOREWORD

“No change is not an option.” This was one of the conclusions by the Agriculture Champions and that premise also features strongly in the discussion paper published by the National Council of Rural Advisors: “now is the time to change the way we think, act and operate to tailor bespoke policy frameworks”.

And while we neither voted for, nor want Brexit here in Scotland, change now seems inevitable. What we must therefore determine is how far we go and importantly, how fast. My priority in the short-term is to provide people in rural businesses with as much security as possible and this paper sets out options to try and achieve this.

We are having to navigate our future through a bewildering set of uncertainties and planning for several possible scenarios. We do not yet know when we might be made to leave the EU – it might be 29 March 2019, it might be the end of 2020 or at some date, as yet unknown. There is little clarity over funding. We have a commitment to provide the same cash total in funds for farm support until the end of the current UK Parliament, and for contracts entered into before the end of March next year to be honoured. But that is all. We continue to seek additional information around future funding.

In the near future, we might not even have the powers over farming, food production and environment previously devolved to Scotland with which to make the best of things. We might have no say over future policy or funding schemes, even though we have distinct Scottish needs that differ significantly from the rest of the UK. But we can no longer wait for Westminster and must get on with determining our own future. People deserve security and stability in the short-term.

In this context, the Agriculture Champions’ recommendation and rationale for a three to five year transition period is compelling. This would provide the space we need to properly develop and devise a new and different approach for Scotland.

In the short-term, I am proposing that support schemes for active farming, food production, environmental improvements, forestry and rural development fundamentally stay largely the same. However, where schemes and processes can usefully be simplified and streamlined, we should do so.

I also want to hear views on the longer term direction of travel. All ideas and proposals will be explored as part of the wider civic conversation around how best to sustain a vibrant and flourishing rural economy in the future.

There is no doubt that the next few years are going to be extremely challenging for rural Scotland. The Scottish Government is determined to do all it can to provide security, simplicity and stability. Your views, knowledge and experience are needed to inform this mission. So thank you for taking part in this consultation.



FERGUS EWING
Cabinet Secretary for the Rural Economy and Connectivity

3. PURPOSE OF THIS DOCUMENT

This consultation invites comments on options for stabilising and simplifying support for land managers, individuals and organisations across Scotland in the period immediately after the UK Government takes Scotland out of the European Union, whilst ensuring that we maintain our environmental standards and meet climate change targets.

Our proposals seek to generate discussion within Scotland's farming and crofting communities. They aim to create a transition period of up to five years as we move from the current funding and support approaches in the existing Direct Payments and Scottish Rural Development Programme (SRDP) to developing and implementing a new rural policy framework for Scotland. Should resources allow, that period might also usefully enable the testing and piloting of new approaches.

4. WHO THIS CONSULTATION IS FOR

This consultation is aimed at everyone who receives and/or benefits from Direct Payments and SRDP funding, our wider rural communities, consumers and those who enjoy our rich and diverse landscapes.

5. TIMESCALES FOR CHANGE

We are proposing a transition period lasting for approximately five years from the day the UK leaves the EU on 29 March 2019. This would be comprised of the intended 'implementation period' of two years, during which Scotland as part of the UK would be expected to continue to implement all EU rules on CAP and would be followed by a further three years, from January 2021. During this period we will seek to introduce practical simplifications and improvements in customer service where this maintains or enhances delivery of public benefits and straightforward changes that improve delivery of policy outcomes.

During this five year period of stability we will develop a new rural policy framework for Scotland aimed at ensuring that public investments in social, economic and environmental capital reflect our ambitions for sustainable, inclusive growth across rural Scotland. This government remains committed to continuing to support farming and food production as part of this wider approach. The intention would be to begin implementation of the new policy and support framework from financial year 2024-25.

- April 2019 to March 2024 [**Implementation/Transition Period**] – if a Withdrawal Agreement between the UK and EU is reached, we expect to align our 'implementation period' with the terms of the Agreement to ensure consistency for farmers. This is expected to be between March 2019 and December 2020.
- Beyond 1 April 2024 [**Scotland's Rural Economy - New Policy Period**]

6. POLICY CONTEXT

Although Scotland did not vote in favour of leaving the EU, it is expected that we will leave along with the rest of the UK in March 2019, with or without an agreed transition or implementation period thereafter during which EU law would continue to apply in the UK.

At the time of publishing the EU/UK negotiating agreement confirms that EU law would continue to apply until the end of 2020, with the exception of the CAP Direct Payments Regulation (governs the Basic Payment Scheme, Voluntary Coupled Support (VCS) and Greening) which would not apply in the UK for the 2020 scheme year.

Under the EU/UK Withdrawal Agreement the regulations governing the SRDP will remain in place until 31 December 2020, with funding for agreements linked to agriculture and forestry likely to continue beyond that date.

As set out in more detail in the section on financial context below, should this agreement not be reached, the UK Government has provided a range of funding guarantees of variable detail to cover lost EU funding, which the Scottish Government has committed to passing on in full to its stakeholders.

Scotland should, on current assumptions, be able to adopt its own chosen farm support policy, either from late March 2019 or, if an EU-UK transition period is agreed, from 1 January 2021 (or 2020 for CAP Direct Payments).

A number of stakeholders and the Agriculture Champions have highlighted that whilst change is inevitable as a result of the decision for the UK to leave the EU, it would be desirable for it to take place at a manageable pace for the industry and others with a stake in the rural economy, environment and communities.

In practice, however, it would be difficult for any administration to have a full new domestic policy ready for implementation in those timescales given the complexity, cost and risks involved. In addition, many of the factors which could constrain or affect future Scottish policy would not become clear for some time to come. There are clear timescales involved in building the apparatus to deliver new schemes not least the lead times to develop and procure digital systems as well as to consult upon, lay and bring into force appropriate and potentially wide-ranging legislation.

For these reasons the Scottish Government, like other administrations in the UK, envisages a “transition period” for farm support policy, from the time when EU law ceases to apply directly.

The new domestic policy envisaged to be from 31 March 2024 will be shaped by the CAP Greening Report, the Agriculture Champion’s Report, the results of this consultation, and the final report due from the National Council of Rural Advisors. The results of the consultation later this year on Environmental Principles and Governance, the planned Climate Change legislation that will be in place from 2020, other domestic legislative requirements (such as those in the Forestry (Scotland) Act 2018) and new analysis on the impact of existing CAP policies will also be used to

inform new policy. As set out in more detail below, it will also be dependent on the overall financial settlement to be made to Scotland to reflect the UK's exit from the EU and associated decisions on future budgets and funding.

7. FINANCIAL CONTEXT

In advance of the referendum on EU membership, a number of campaign commitments were made around protection of funding equivalent to that received from the EU should the UK vote to leave.

Following the referendum, the UK Government provided a number of guarantees for EU funding schemes. These will apply should the UK exit the EU without a negotiated agreement and implementation period in March 2019, but will not apply should the Withdrawal Agreement be agreed in full and an implementation period apply under which the UK will be able to continue to participate in EU programmes up until the end of the current Multiannual Financial Framework until 2020.

Details of the UK Government guarantees, should these be needed, are as follows:

- Scotland will receive the same level of funding that it would have received under Pillar 1 of CAP until the end of the current Multiannual Financial Framework in 2020 (scheme year 2019);
- In recognition of the fact that LFASS operates in a similar way to Pillar 1 of CAP, support for all LFASS applications made in scheme year 2019 will also be guaranteed;
- All structural and investment fund projects signed before UK leaves the EU will be guaranteed - even when those payments continue beyond the EU exit point. This includes European Structural Funds, the Scottish Rural Development Programme (CAP Pillar 2) and the European Maritime Fisheries Fund; and,
- Where UK organisations bid directly to the European Commission on a competitive basis while the UK remains in the EU, such as Horizon 2020, payments of awards under successful bids will be made.

If the guarantees are needed, the Scottish Government has committed to passing these on to Scottish stakeholders in full.

The present UK Government has also committed to maintaining the same cash total in funds for "farm support" until 2022, reflecting the average annual funding provided for farm support under Pillars 1 and 2 of the 2014-20 Multiannual Financial Framework. However, despite requests for more detail, the UK Government have still to clarify a number of important aspects including how "farm support" will be defined and the implications for non-farm Pillar 2 funding. Beyond this, there are no commitments or indications about what future funding Scotland will receive following the UK's exit from the EU.

The amount of support that recipients of CAP funding receive is largely determined by the available funding from Europe, which is coming to an end. The amount of future funding that Scotland receives for successor arrangements beyond EU exit

will be dependent on the outcomes both of discussions between the UK Government and Devolved Administrations on the financial settlements to be made to reflect the UK's exit from the EU, and of the UK Government's 2019 Spending Review. Only when the totality of the financial impact and funding settlement to be made to Scotland is clear can decisions be taken on future policy and funding commitments.

In view of this on-going uncertainty, and without seeking to speculate on the total funding that might be available in the future, this paper utilises a working assumption that our core schemes will continue with little or no changes during a period of transition although, understandably, the level of funding attached to those schemes cannot be guaranteed. We have sought to minimise risk to Scotland's land managers by treating the UK Government's funding pledge as context rather than a solid platform on which to base our planning, and continuing to press for more certainty. Similarly, we expect the UK Government to assign to Scotland the full convergence funding awarded to the UK due to Scotland's low per hectare CAP Pillar 1 rate, but retained by the UK Government during this period.

8. OVERALL AIMS AND PRINCIPLES OF THE IMPLEMENTATION / TRANSITION PERIOD

Our aims can be summarised in four key principles:

- **Stability** – land managers need stability and confidence to invest in their businesses and thereby deliver public benefit. Systems must be able to cope while the wider policy landscape changes. There should be no major scheme changes in the near future and no rolling back of environmental standards.
- **Simplicity** – opportunities to simplify the customer compliance burden, operating methods and to reduce costs should be encouraged, subject to achieving the other principles.
- **Sustainability** – Tourism, timber and food production are key sectors of our economy with potential for growth in both home and export markets. Any change in our approach to providing support should take us closer to a comprehensive new rural policy which helps to protect and enhance the natural assets on which our farming and other rural industries depend and to contribute to Scotland's world leading climate change ambitions, also promoting efficient and innovative rural businesses and thriving rural communities.
- **Security** – our decisions should continue to support the secure production of food through effective animal traceability, good welfare of animals, environmental protection and other public benefit outcomes.

Our priority for agriculture and rural development is to provide stability and security for producers, land managers and businesses while at the same time maintaining environmental standards and making changes that will help set the sector on the right path towards decarbonisation.

Where possible, we will also seek to simplify the application processes for government funding and related control requirements and explore the scope for

reducing the compliance burden without impacting on the public goods we expect to see delivered.

It would be an explicit aim of the transition period to avoid major new initiatives and changes to existing schemes, except where these demonstrably achieve the aims above. However, it is our ambition that some of the key recommendations from the CAP Greening Group and Agriculture Champions' final reports can be taken forward, in consultation with those affected. We would welcome views on this general approach.

During the transition period, the intention is that farmers and crofters currently entitled to CAP Pillar 1 support will continue to receive support, subject to the overall financial settlement which will determine future policy and funding options.

We will in due course consult more fully on the detailed options for Pillar II funding from 2020-2024 but we would also seek to provide stability and simplification to current recipients of support from Pillar II schemes and only seek to make straightforward changes that help to improve delivery of policy outcomes.

This approach is deliberately intended to help farmers, crofters and other land managers to also diversify their businesses and develop opportunities to integrate into a wider rural economy, enhance their role as stewards of our natural environment, and embrace an integrated approach to land use which seeks to deliver multiple benefits from the land. It also seeks to mitigate the risk of land abandonment and to provide the continuity of land maintenance required to deliver the policy priorities outlined above for example by ensuring continued support for high nature value farming systems on marginal land.

The Scottish Government also seeks through this approach to support farmers considering leaving or retiring from the industry and to provide accessible opportunity for those wishing to become part of a rapidly evolving sector.

9. DELIVERY OPTIONS

Possible approaches to the transition phase could include making no changes at all, apart from ones absolutely necessary to enable CAP delivery to continue. This would be subject to the overall funding settlement, but could offer some stability benefits, however it would preclude the opportunity to make changes that might be desirable.

Alternatively, a decision could be taken to maintain much of the architecture of the CAP for a transition period but make selected changes designed to improve it, without jeopardising stability and deliverability. In particular we believe there is scope to investigate whether we could significantly simplify the delivery arrangements for Pillar 1 payments, whilst protecting or enhancing the economic, social, and environmental outcomes we are seeking to achieve.

This paper focuses on the second of these approaches and the consultation questions are aimed at seeking your views on the advantages, disadvantages and options for improvements this could present.

Direct Payments – (Pillar 1)

The CAP is divided into Pillar 1 – direct payments and market support – and Pillar 2 – rural development programmes – with some rules that apply to both funding Pillars.

At the moment the UK leaves the EU, and subject to the shape of the eventual EU-UK Withdrawal Agreement, the provisions of EU law will be rolled into domestic law in order to avoid a legal vacuum. Between 29 March 2019 and 31 December 2020 we expect to continue to be bound by CAP rules, with the exception of the Direct Payments regulation which is expected to end in 2019. However, the details of the law governing current CAP schemes after 2020 will depend on the outcomes of domestic legislation and related frameworks.

During the period 31 March 2019 – 31 Dec 2020 (Implementation Period) one option would be to commit to introducing no major new schemes or changes in current scheme design.

Immediately after the UK leaves the EU, with or without a formal deal, the Scottish Government could continue to operate the CAP system in its current form for the remainder of the 2018 scheme year and the 2019 scheme year. This would involve customers completing a Single Application Form (SAF) as is currently the case and being notified of payments in the usual way. Inspections would continue and the penalty regime would apply as now.

This approach would require the majority of our systems to be maintained during this period but some minor simplifications in our processes, customer compliance and digital development could be possible, which would improve public value and the quality of customer care. The benefit and public value in this approach could be certainty for claimants and minimising the costs of change. A disadvantage could be limitations on our ability to tailor support schemes to specific needs or outcomes, and it could prolong costs associated with maintaining current systems and processes.

Improving Customer Experience – keeping payments and standards stable and processes simpler.

We want to provide financial stability for farmers, crofters and land managers in the period immediately after the UK Government takes us out of the EU. We have also committed to ensuring there is no rolling back of EU environmental standards.

However, we also want to make processes simpler, where it is feasible to do so without creating more uncertainty or weakening environmental protection. So under this option we would propose to keep the Pillar 1 payments and make a number of changes that streamline the process of applying for, receiving and accounting for those payments during an extended transition period. We will also consider the findings of the CAP Greening Group and give effect to the short-term recommendations of the Agriculture Champions.

Our proposals are set out below.

While a period of stability is regarded as the best way forward some potential changes and improvements could be considered.

As an example it might be possible to simplify and stabilise the application system for land managers through streamlining and fixing payments while keeping scheme rules largely unaltered. A simplified approach to completing an annual SAF could be developed for those with no, or very small changes in eligibility year-on-year – reducing the amount of time and effort needed to apply for many customers. Any change in approach would need to include measures to ensure there would be no increase in the risk to public interests.

The removal of the Direct Payment rules for 2020 would raise the possibility of adopting small but noticeable changes in how we go about inspections, to begin to shift towards a more supportive, outcome and performance based approach. We would test any changes before rolling them out to all applicants.

A clear focus in any future monitoring system would be to retain the public benefits we receive already such as on human / animal health and welfare as well as environmental protection. We would welcome comments on areas of the current inspection regime (including scheme rules) that would particularly benefit from review.

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

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?

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

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)?

Greening

The 2013 reform of the Common Agricultural Policy (CAP) brought about a fundamental change to the CAP, with the introduction of payments for implementing compulsory 'greening' measures under Pillar 1. The rationale behind the introduction of these measures was to support improved environmental management on all agricultural land. They address three key areas within agriculture:

- permanent grass
- land crop diversification
- ecological focus areas (EFAs)

The CAP Greening Review Group summarised how future policy and support mechanisms could achieve environmentally and economically sustainable farming in Scotland. The Review reiterated Scottish Government's commitment to ensuring greening rules are effective for the environment.

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

Maximising Available Funding

Where possible, we will utilise funding to create and test ideas to tackle long standing issues such as the need to encourage new entrants, promote innovation and improve the environmental performance of Scottish agriculture, including supporting its contribution to tackling climate change.

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?

Capping Direct Payments

Under the current CAP rules, annual BPS payments to individual businesses are subject to a reduction of 5% for amounts over €150,000, and from the 2018 scheme year, they are capped altogether at €600,000. The recent EU Omnibus Regulation makes it possible to make amendments either whilst Scotland is still subject to the CAP or during the transition period.

The Agriculture Champions have advised that capping should be 'examined more closely' in relation to the next five years. We agree with their recommendation and the public value in considering adjustments to capping during the transition period. Under the EU Regulations only Basic Payments can be capped and not the separate Greening Payment. Once these regulations cease to apply we would be able to cap all payments provided we have legal powers to amend retained EU law.

A more progressive capping policy could be a first step to a future agricultural policy which widens the benefits/range of recipients, and supports new entrants and small businesses.

To give an idea of the financial impact of lowering the level at which capping occurs, modelling of expected 2019 Pillar 1 payments suggests that the saving being implemented in 2018 would be as set out in the table below.

	Return of different levels of capping (£)				
	200,000	100,000	75,000	50,000	25,000
Percentages of businesses affected	<1%	2%	4%	10%	27%
Number of business affected	50	350	750	1,800	5,000
% of P1 budget	1%	5%	8%	17%	37%
Potential funds generated (£)	4m	18m	30m	60m	140m

Further analysis and consultation would be needed to determine a fair capping policy. There are different models with each having different implications in terms of scheme complexity, and the impact on affected claimants. We would expect any capping to apply to the same schemes that were subject to any system of simplifying and fixing payments. Should any changes to capping be introduced, our strong preference is to adopt a very simple system that reduces complexity and promotes certainty over payment levels during the period in which it might apply.

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

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

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

Less Favoured Area Support Scheme (LFASS)

LFASS, while funded under Pillar 2, has many of the characteristics of Direct Payments. It is uniquely important to Scottish farmers given the scale of poor quality land that needs additional support that is required to support livestock rearing businesses that are key to the processing sector. LFASS provides support to farmers and crofters to continue to run businesses, helping to avoid the risk of land abandonment while maintaining the countryside by ensuring continued agricultural land use. LFASS also helps to maintain high nature value farming systems, characterised by low intensity management of semi-natural habitats on less productive land.

Payments are calculated using the eligible land area claimed by the applicant, and applying a co-efficient based on fragility, certain historic values and stocking density, to work out the area of land to be paid on. There is a minimum payment of £385.

Under CAP rules, EU Member States have the option from 2019 of either continuing to operate an LFASS scheme on a reducing financial scale or replacing LFASS with an Area of Natural Constraint (ANC) scheme. It is expected that these rules will

apply until the end of 2020 under the EU/UK Withdrawal Agreement. Significant analysis of the impact of applying the ANC rules has already been undertaken. ANC would result in re-designation, and change to which areas of Scotland would and would not be eligible for support. Further to this it would also result in redistribution of the funding, potentially impacting on the viability of some individual businesses. Finally, there would be a significant impact on delivery, with new IT systems and processes needing to be designed for a scheme that would run for potentially only one year before the relevant EU regulations no longer apply. Were we to continue to be subject to EU CAP rules, but not introduce ANC, we would lose underlying funding progressively with a payment of 80% LFASS in scheme year 2019 and a payment of 20% LFASS in scheme year 2020.

In the interest of stability and to fit with the current needs of farmers and crofters, the Scottish Government intends to continue with LFASS, paying at 80% of the current payment rates, for 2019.

As LFASS falls under Pillar 2, it would appear that under the UK/EU withdrawal negotiations EU rules could apply until the end of 2020 so there will be little scope to make changes to LFASS until 2021. A 20% LFASS payment in 2020 is likely to significantly impact farms and crofts in the LFAs and, in the Scottish Government's view, would be unacceptable. The Scottish Government's main priority is to explore options for protecting affected farmers and crofters in this period and maintaining levels of income support as far as possible, taking into account legislative, state aid and budgetary factors.

There would be potential to change LFASS scheme rules from 2021. One option would be to streamline the total number of schemes that we operate and use the direct payments to deliver what are currently classified as LFASS payments, for example as a top-up through the BPS and/or VCS schemes. In addition, a number of the cross-cutting simplification issues considered elsewhere in this consultation would also apply to LFASS, for example those on mapping and penalties.

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

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

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

Mapping and associated scheme rules

The biggest schemes in both Pillars of CAP are linked to land area in one way or another and therefore subject to CAP rules on land mapping.

Mapping is a major part of CAP administration with the European Commission considering the mapping system as a key control in delivering CAP payments. CAP rules require mapping data to be up-to-date and accurate. Currently land based

schemes (such as BPS) utilise the mapping data but allow no or limited tolerance for over claims or error.

Mapping discrepancies are identified from a number of sources including updates or changes identified by farmers or by inspectors. Discrepancies also arise as a result of review of Aerial Photography or the underlying map data by Ordnance Survey, which is reflected by updating the CAP mapping database. An area of particular difficulty is the mapping of 'soft' features such as patches of dense bracken which are ineligible for the main CAP payments – but which can change over time, making it very difficult for both the farmer and the Scottish Government to maintain perfectly accurate data. Resolving mapping discrepancies under the CAP rules is a major part of CAP administration every year. The costs associated with this are currently justified because of the positive impact they have in mitigating the risk of financial penalty, as well as helping to ensure claims are accurate.

Because mapping is entirely computerised, any changes to the mapping system and associated rules (such as the eligibility of land for schemes) would have significant delivery and IT implications. Decisions have not yet been taken on the long-term future shape of farm support but the Scottish Government's working assumption is that any future long-term set of policy tools and schemes is likely to require a mapping system to underpin it. Ultimately, the eligibility requirements placed upon farmers, crofters and Government will be determined by the design of future support schemes, eligibility requirements and the control regime that is considered necessary to support effective scheme administration, delivery of public benefits and value for money.

One possibility to help simplify the process of applying for agricultural income support could be flexibility in scheme rules to allow for increased tolerance between claimed and recorded area. This would ensure small changes in land details do not result in the application of penalties for farmers, where the cost of processing such changes and the time commitment (and business cost) for customers outweighs the public value in calculating very small changes that do not have a material bearing on outcomes.

The definition of 'eligible land' for area based payments could also be reviewed and consideration given to making payments on a banded basis – for example, for each whole hectare, so that minor changes following practical changes on the ground such as fencing do not result in a change or a penalty. Any changes that might be made in future would be subject to a full impact and value for money assessment.

It would be essential to ensure that any changes to rules relating to areas declared under greening maintain or enhance the environmental benefit delivered.

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?

Inspections

This paper seeks views on how we can maintain public confidence and delivery of public benefits, including maintaining environmental standards, while streamlining our approach to inspections to benefit farmers and crofters. EU rules currently prescribe in detail the number and type of land eligibility and activity, cross compliance, livestock and capital inspections that must be carried out. Over a number of years, including through the Scottish Environment and Rural Services (SEARs) project, the Scottish Government has done what it can within the EU rules to limit the burden that inspections place on farmers, crofters and land managers, while maintaining delivery of public goods.

Under EU rules, the inspection rates range from 1% to 5% of the relevant population e.g. subsidy scheme claimants or livestock keepers - meaning that for 95% or more of businesses each year, their compliance with the rules is assessed entirely on the basis of their online or paper application with no on the spot checks. Whilst these rules may indicate that a farm business may be selected for inspection on average only once every 20 years, in reality individual businesses may be inspected more or less frequently. In particular, businesses may get more frequent inspections if under EU rules they are considered to constitute a greater than average risk or they are selected randomly which is currently a mandatory element of the inspection selection process.

Inspections, along with other checks, serve to ensure a) that the public value of taxpayer funded schemes is in accordance with the rules and conditions which have been negotiated, decided and set in law and b) provide assurance to the public and the market around the quality of our products, and these inspections are designed to support the success of the farming industry itself. For example, the rules on livestock identification, registration and movements are designed to ensure full traceability of products entering the food chain, which is in the public interest, in the industry's commercial interest and also enables rapid action to be taken in the event of a disease outbreak.

Under current regulations inspection results are monitored collectively and where over-claims/breaches are identified above certain thresholds, the Scottish Government are required to increase inspection rates. In recent years (2015 to 2017) inspection rates for BPS, forestry, Cattle and Sheep have all been increased from their base level (in one or more years) due to non-compliance in previous years.

We wish to rethink our approach to some elements of the inspections and penalty regime taking into account the desire to simplify, ensure value for public money and the importance of maintaining or improving environmental standards taking into account developing thinking including, for example, the need to monitor and protect the health of our soils.

The linkages between inspections and penalties are complex and require detailed proposals to allow for all aspects of the supply chain and impact on environmental standards to be considered.

On current planning assumptions, we will be subject to most EU CAP rules until 31 December 2020 and some rules might continue for a period afterwards in particular those that underpin Pillar 2 payments. This nevertheless leaves scope to look at how we might recalibrate our inspection regimes and tailor them to local circumstances once EU rules no longer apply. The Agriculture Champions have suggested the use of pilots to trial approaches that are sensitive to regional variation.

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

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

Penalties

Like inspections, penalties for non-compliance are one of the mechanisms designed to ensure CAP funding is given out in accordance with the rules of the various schemes, ensuring value for taxpayers' money and delivery of public benefits. Penalties are currently prescribed in detail in EU law. We expect to acquire control over the penalty regime during the overall transition period (anticipated from 1 January 2021). Evidence of how penalties are used suggests they are applied less frequently and less severely than is generally perceived – in the context of non-intentional cross compliance breaches, for example, where the maximum penalty is typically 5% of a claim. Intentional breaches, appropriately, can trigger penalties up to 100% of the value of a claim.

The Scottish Government wishes to ensure that future penalty regimes are effective, fair and transparent. A comprehensive future system is something we would expect to consult on in future and in the context of the development of wider future policy for agriculture and the rural economy. However, we would welcome views about early improvements that could maintain stability in environmental standards, animal welfare and food safety while supporting innovative practice and making compliance with necessary checks simpler.

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?

Simplification Task Force

There remains a significant amount of work ahead in order to transition from the regulatory framework provided by the CAP through a period of stabilisation towards a broader future policy of support for agriculture, the environment and the rural economy. The work of the CAP Greening Group, the Agriculture Champions, the agricultural section of the Climate Change Plan and the National Council of Rural Advisors will provide useful insight on the options for future policies.

However, there is need in the short-term to unwind some of the complexity of CAP and release efficiencies where this can be achieved without compromising the control measures that protect the security of our food, the welfare of our animals, our environment standards and ultimately our ability to trade on a reputation for quality produce.

We propose establishing a Simplification Task Force which would run from around Autumn 2018 for a year. The role of the Task Force would be to work with officials, experts and key partners to consider responses to this consultation and determine and test possible changes in our operating approach, with the intention of improving the experience for recipients of CAP payments, reducing complexity in our systems and improving public value.

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

Transition Period

The basic proposal in this paper is for a transition period of approximately five years from March 2019, subject to continuing affordability and the impacts of UK Government decisions on future funding and the overall financial settlement to be made to Scotland to reflect the UK's exit from the EU. This period provides an opportunity to balance stability with the potential for some simplification as we switch from EU to domestic legislation. This strategic approach makes a number of assumptions that will be subject to change as the wider process of negotiating the UK's exit from the EU continues.

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

Opportunities for innovation and collaboration

The CAP Greening Group, the Agriculture Champions and the National Council of Rural Advisors all highlight the need for farmers and crofters to engage proactively in ways to improve sustainability and profitability. The recommendations from the CAP Greening Group and the Agricultural Champions ask that the Scottish Government introduce schemes to support farmers/crofters in change and adaptation of their businesses, including the possibility of greater collaboration and support for retirement or exit where this would be beneficial to those affected and the sector as a whole.

The Agriculture Champions highlighted that new Schemes should reflect geographical variation and encourage solutions tailored to local circumstances. In addition, their report recommends that Scottish Government should continue to support and consider expanding existing schemes such as Scottish Enterprise's Rural Leadership.

We support these aims while also recognising the impact that scheme complexity can have on the cost and efficiency of related delivery systems. We will evaluate the proposals in more detail including looking more closely at tailoring both priorities and solutions alongside considering the potential to simplify delivery without compromising food safety, our ability to trade and export, or environmental standards.

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?

Climate Change

Scotland's low carbon transition is well underway. Supported by the most stringent climate legislation in the world, our emissions are already down 38%. The Climate Change (Emissions Reduction Targets) (Scotland) Bill will amend the existing Climate Change Act, increasing the ambition of the targets. It will set a 90% emission reduction target for 2050. The Bill balances Scotland's environmental, social and economic responsibilities. The Scottish Government is committed to a Bill that supports inclusive economic growth and prosperity here in Scotland, as well as tackling climate change globally. Scotland's agriculture sector is vital to the low carbon transition; we will continue to work constructively with the sector as part of a balanced and measured approach.

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?

Monitor farm expansion – innovation, diversification and sustainability

There are currently a range of initiatives which support peer learning and test different approaches, the use of new technology, innovation and diversification, in particular Monitor Farms. The Agriculture Champions' report recommends that there should be more advice and training, and in particular greater emphasis on business skills as well as technical farming and land management skills. Successful innovations, such as Monitor Farms, should be built on or adapted to better meet our future needs.

The Scottish Government agrees with the recommendations and will explore them as part of future policy and funding considerations, including looking at ways the concept could evolve to meet a number of other challenges facing the sector. This will form part of a wider approach to making agri-technology more widely available, supporting farms that are stagnating and making more opportunities available to new entrants.

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?

Performance

We agree with the recommendation by the Agriculture Champions that public funding should be linked more to expectations around improving performance rather than solely basic compliance with scheme rules, provided that this does not result in weakening of environmental standards or public safety.

Improving performance could include the introduction of key performance indicators around, for example, sustainability, productivity and improved understanding of what public goods are being delivered. The opportunity to introduce performance measures when CAP rules apply is limited. However as we move towards a period of simplification and the creation of new schemes opportunities will increase.

The Agriculture Champions recommend 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. This could include requirements being introduced to some schemes to undertake carbon audits, soil testing, and in some cases to prepare Integrated Land Management Plans and/or Specialist Biodiversity/Habitat Preservation/Improvement or other plans. The Scottish Government will consider the scope for specific proposals in due course and in consultation with stakeholders, but we support the generality of the Agriculture Champions recommendations, including during the Transition period where possible.

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?

**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)**

The current 2014-2020 Scottish Rural Development Programme (SRDP), Pillar 2 of the CAP, is expected to have injected around £1.3 billion into the rural economy by the end of the programme in 2020.

Analysis of the last SRDP (2007-2013), which invested €1.4 billion, estimated that it supported almost 43,000 businesses; generated £2.30 for every £1 spent, placed nearly 25,000 people into training and created or safeguarded 31,900 jobs.

Should agreement be reached on a transition period as part of the EU-UK Withdrawal Agreement, the regulations governing the SRDP will remain in place until the 31 December 2020. Therefore, during that period it is anticipated that the schemes under the current Scottish programme will continue in broadly their current form.

However, if the Withdrawal Agreement is not agreed in full, the funding position for contracts entered into after 29 March 2019 and to the end of the SRDP is unclear. As set out in Section 7, the UK has guaranteed funding for those contracts entered into by the point that the UK exits the EU, but not until December 2020. The commitment to fund “farm support” until 2022 is similarly unclear and we do not know if this will cover all elements of the SRDP. This uncertainty is particularly difficult for the schemes which typically involve multi-annual contracts of five years or even more, such as the Agri-Environment-Climate Scheme and the Forestry Grant Scheme.

Currently the SRDP Programme has four scheme types

- Land-based
- Capital support
- Community support
- Advice, innovation and efficiency

Some elements of the SRDP are connected to other forms of Government financial support, other funding streams and wider community planning and engagement, including through local development strategies. These need to be considered as part of a strategic approach to support for the rural economy, environmental standards and community development. The Scottish Government plans to consult on these issues later in the year, building on the work of the CAP Greening Group, the Agriculture Champions and the National Council of Rural Advisors.

To help inform this future work, this paper provides an overview of each of the existing CAP Pillar 2 schemes with some initial thoughts aimed at stimulating discussion around the four key principles guiding this consultation - stability, simplicity, sustainability, and safety. In particular, the consultation invites views on options for making the administration of existing schemes simpler for both the beneficiaries and the public agencies, for example, in the processes of application, payments, monitoring and reporting.

Land-based Schemes

Forestry Grant Scheme

Scotland's woodlands and forests are a vital national resource and play an important role in rural development and sustainable land use. As well as providing timber for industry, absorbing carbon and helping to reduce the impacts of climate change, our forests enhance and protect the environment and provide many opportunities for people to improve their health and well-being through outdoor exercise.

The Forestry Grant Scheme (FGS) supports both the creation of new woodlands, contributing towards the Scottish Government target which is increasing to 15,000 hectares of new woodlands per year; and the sustainable management of existing woodlands. The scheme has operated since 2015 and has been successful in attracting high numbers of applications and fully committing the forestry budget from 2017 onwards. The scheme is also expected to secure the delivery of the Government's 10,000ha woodland creation target from 2018 onwards.

Since 2015, £113 million has been awarded to over 2310 applications covering over 20,000ha of woodland creation of many types – productive and environmental, in rural areas and around our towns and cities. In addition, further awards have included:

- £6 million of capital funding to support 80 projects aimed at improving the condition of native woodlands, restoring Plantations on Ancient Woodland Sites back to valuable native woodland, and improving non-woodland habitats, where trees may be causing problems.
- Over £1.8 million of support for positive management of 14,163 ha of native woodland through five year 'Sustainable Management of Forest' agreements.
- £1m of approved funding for 63 projects under Harvesting & Processing Grant
- £86.5k of approved funding for 11 projects under the Forestry Co-operation Grant

As part of the SRDP, the FGS has benefited from EU co-financing and medium term funding security, but has been subject to CAP regulations associated with use of this EU funding. In the future after EU funding ends, there will be an opportunity to reconsider the extent to which post CAP regulations are applied to forestry schemes, but this will be dependent on considerations around available levels of funding.

Given the long-term nature of forestry, the need to maintain momentum to meet our targets and the long lead in times for many forestry applications, particularly woodland creation projects and businesses such as forestry tree nurseries, continuity of support for the forestry sector is recognised as a priority.

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 the 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?

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

Agri-Environment Climate Scheme

The Agri-Environment Climate Scheme (AECS) promotes land management practices which protect and enhance Scotland's magnificent natural heritage, improve water quality, manage flood risk and mitigate and adapt to climate change. The scheme also helps to improve public access and preserve historic sites. The funding available under the scheme provides essential support for a range of vulnerable and iconic species including protection for our farmland waders such as Curlew and Lapwing, Corncrake and Corn Bunting, Marsh Fritillary Butterfly and pollinator species such as the Great Yellow Bumble-bee. The Index of Abundance for Scottish Terrestrial Breeding Birds shows that more than half of Scotland's upland birds including the Curlew and Lapwing have suffered a significant long-term decline. Other species of conservation concern are also reliant on annual management and could be vulnerable without support.

Scotland has a rich and diverse range of habitats including some of international conservation importance such as our machair, species rich grassland and peat land bogs. AECS provides vital support for these semi-natural habitats, many of which are under pressure from a range of factors. Semi-natural habitats are valued for the ecosystem services they provide which support biodiversity and the economy and contribute to our quality of life.

Sites of Special Scientific Interest and Natura 2000 sites represent the best of Scotland's natural heritage. These areas are special for their plants, animals or habitats, their rocks or landforms, or a combination of these. Together they form a network of the best natural features throughout Scotland. Over 380 Natura 2000 sites and over 1,450 Sites of Special Scientific Interest covering more than 1,000,000 hectare of Scotland, have been designated for their national or international importance, according to their special biodiversity or geodiversity interest.

In Scotland, we are fortunate to have world-class rights of public access to the countryside. AECS provides support for new and improved paths and will encourage responsible public outdoor access for the full range of users, and help to integrate access and recreational use with good land management. This support provides sustainable resources for local communities and visitors, and helps to provide opportunities for increasing physical activity and improving health.

Since 2015, a total of £148 million has been committed to over 2,200 applications to fund a range of agri-environment and organic activities that help to maintain and enhance our rich and varied natural environment.

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?

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?

Capital Grant Schemes

New Entrants

This scheme is designed to encourage a new generation into farming and crofting. To help achieve this, the SRDP provides support for new entrants through three dedicated funding schemes:

- Start-up aid to support young farmers with the costs of starting an agricultural business for the first time.
- Start-up aid to support new entrants to farming who have started their agricultural business within the last 12 months.
- A business improvement grants to help new entrants continue the development of their business.

Additionally, one-to-one specialist consultancy advice and mentoring from experienced farmers willing and able to pass on their experience and skills is available through the Farm Advisory service.

Since 2015, 257 start-up grants have been awarded worth over £13m with a further 452 applications for business improvement grants receiving over £7m.

The start-up schemes have been very popular and, subject to confirmation of future available funding and overall policy decisions, we would propose that new entrant start-up grants continue to be made available post 2020.

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

Crofting Agricultural Grant Scheme

This scheme provides grants for crofters to make improvements to their crofts and help to sustain croft businesses. Funding can be used for capital projects, such as the construction or improvement of agricultural buildings; and for the establishment of Common Grazings Committees.

Funding for eligible capital projects can cover the cost of materials, transportation of materials, costs of contractors and Crofter's own labour. The total amount of grant aid that can be applied for in any two year period is £25,000 for individual crofters and £125,000 for groups of crofters.

To date almost £7 million has been awarded to over 1,500 applications.

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

Small Farms Grant Scheme

This scheme provides grants for small farmers to make improvements to their holdings and help to sustain farm businesses. Funding can be used for capital projects, such as the construction or improvement of agricultural buildings.

Funding for eligible capital projects includes the cost of materials, transportation of materials, costs of contractors and own labour. The total amount of grant aid you can apply for in any two-year period is £25,000 for individuals and £125,000 for groups.

Since 2015, 31 applications have been supported under this scheme.

Given the limited uptake we propose, subject to specific future consultation, to close this scheme. In this instance, we would examine whether projects could be eligible for funding under other schemes.

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

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

Food Processing, Marketing and Co-operation

The Food Processing, Marketing and Co-operation Scheme (FPMC) provides support to suppliers and producers to contribute to the government's overall vision for food and drink in Scotland, which is to be a Good Food Nation, where it is second nature to produce, buy, serve and eat fresh, healthy food.

The scheme provides start-up grants for a new food processing business and development grants for an existing food processing business.

Capital funding can help develop or create food processing facilities, including buildings and equipment. Non-Capital funding can help market products; assist in the running of co-operative ventures; and improve supply-chain efficiency.

Since the launch of this scheme in 2015, 99 applications have been awarded over £45m in funding. This is expected to lever almost £150m of private investment and create over 1000 full time equivalent jobs – with a further 5500 safeguarded.

We propose to continue with this scheme subject to budget availability but would also consider ways in which the delivery of support to the food and drink sectors can be simplified. This would involve working with our economic development agencies (Highlands and Islands Enterprise, Scottish Enterprise, Scottish Development International) and others.

Subject to overall budgetary considerations, we would also examine the scope for deploying financial instruments (such as loans and equity shares) as a means of supporting the food and drink sectors.

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

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

Expansion of capital support

The Scottish Government is also keen to explore the potential of increasing the availability of capital support, subject to budget availability. This could be through widening the targeting of current support, for example to upland farms, and through the use of financial instruments, such as publicly-funded loans. Financial instruments could be a means of delivering more policy benefit from any given size of future budget.

It is proposed that the potential use of financial instruments is explored, with the possibility of introducing a pilot approach during the transition period.

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

Community Support Schemes

LEADER

The LEADER approach is a multi-sectoral local development tool that brings individuals, communities, private and public sector parties together to design and implement Local Development Strategies. Each of the 21 Local Action Groups (LAG) adopt their own approaches to support local development, social inclusion and local economic growth. Under the current programme 14 out of the 21 LDS are also funded under the European Maritime and Fisheries Fund (EMFF).

Examples of past LEADER projects can be found on the [Scottish Rural Network](#) website.

Since LEADER launched over 400 applications have been approved with over 350 applications in the pipeline. Over £40m has been committed for new project approvals and LAG running costs.

The UK Government have suggested that the future of support through LEADER may come under the proposed Shared Prosperity Fund (SPF). The 2017 Conservative Manifesto sets out that they will “*use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations*”. However, it is not yet known how this fund would be funded, what levels of funding would be available or how it would operate, so it is unclear how and if the Scottish Government can develop LEADER from 2021. We understand that consultation on the Shared Prosperity Fund will begin in Autumn 2018 and we expect the Devolved Administrations to be fully involved in its development, and not regarded as consultees.

However, it is recognised by all parties concerned that the LEADER approach provides important support throughout rural Scotland and can meet both local and national priorities, for example in service provision, energy, broadband, culture, tourism, food and drink, social care, training and skills. However, the EU rules and processes governing LEADER can be perceived as prohibitive. Therefore, an approach during the transition period may be to continue with the current approach of vesting responsibility for relevant projects in the LAGs, guided by Local Development Strategies, but allow delegated authority for each area to manage the funding within local areas as they see fit, within some outline principles set by the Scottish Government. This would have the benefit of removing additional layers of bureaucracy, however, there would be a potential reduction in the benefits of central co-ordination which is likely to result in differences in approaches between LAG areas.

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

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

Broadband

This scheme is intended to help communities across rural Scotland to co-ordinate demand for broadband access by joining together with other community groups to deliver a broadband solution for their area.

The scheme supports communities to establish and grow the demand for superfast broadband services in areas that are unlikely to be served by the Digital Scotland Superfast Broadband Programme.

Due to the roll-out of the R100 initiative, uptake of Broadband via the SRDP has been lower than initially anticipated. As communities can access broadband through other routes it is proposed that the Government consult on a proposal that SRDP broadband support would cease.

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

Advice, Innovation and Information Schemes

Farm Advisory Service

Scotland's Farm Advisory Service (FAS) is part of the Scottish Rural Development Programme (SRDP) which is co-funded by the EU and Scottish Government. The FAS contract will run until the end of December 2020.

A FAS website (www.fas.scot) is supported by a dedicated telephone advice line for farmers and crofters (0300 323 0161). The service provides a comprehensive delivery package of practical information and advice to farmers and crofters.

The website provides access to information and benchmark data as well as business tools, videos, technical notes and other resources. At its centre is a calendar of events that details all workshops, network farm meetings, conferences and training courses that are available. The website also hosts the entry point for grant applications for Integrated Land Management Plans (ILMP); Specialist Advice; Mentoring for New Entrants; and Carbon Audits. Application forms can now be downloaded from the website which provides access to up to £2,200 grant assistance for ILMP and £500 for carbon audits. Another feature of the new FAS is the Crofter and Small Farm Advisory Service. This provides discounted subscription and consultancy services for crofters and small farming businesses.

Since the FAS launched in September 2016, 758 individual advice has provided or underway through Integrated Land Management Plans, Specialist advice, Carbon Audits and Mentoring; and, advice has also been delivered to over 9824 beneficiaries so far through workshops and seminars; focus and discussion groups; and site visits and demonstrations.

There is a general consensus that there may be 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. This will be particularly so if we place a greater emphasis in future on the achievement of results or outcomes.

On looking to the future and thinking about the post 2020 period we will need to consider the type of advice that is made available and how that advice can be delivered to best effect.

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

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

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

Knowledge Transfer and Innovation Fund

The Knowledge Transfer and Innovation Fund (KTIF) has two aims.

The first is to promote skills development and knowledge transfer in the primary agricultural sector. This is achieved through provision of funding to organisations to deliver vocational training, coaching, workshops, courses and farm visits.

The second is to deliver on-the-ground improvements in agricultural competitiveness, resource efficiency, environmental performance and sustainability. This is achieved through provision of support to Operational Groups (OGs) seeking to implement innovative projects in these areas. OGs can be made up of different individuals or organisations within agriculture who are working collaboratively.

Since 2015, 17 applications have been approved with a total value committed of £4.79 million. This includes the Monitor Farm programme.

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

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?

Beef Efficiency Scheme

The Beef Efficiency Scheme (BES) assists in the development of suckler herds to become as efficient as possible, reducing emissions from beef production and improving overall herd profitability. The scheme focuses on cattle genetics and management practice on-farm.

The full impact of the scheme will not be realised for several years. We would expect the principal impacts to be improved genetic selection in respect of growth rates,

feed conversion, maternal behaviour, nutrition practice and disease resistance. Importantly, these improvements will all be cumulative.

In recognition of the extra work involved in collecting and entering data, the Beef Efficiency Scheme pays participating suckler calf producers a payment equivalent to £32 per calf each year for the first three years. This is paid on an area basis. The scheme also provides access to a free advisory service to assist in developing suckler herds and in making the national herd as efficient as possible.

There are around 1,500 businesses currently participating with over 140,000 reference animals.

The Beef Efficiency Scheme is currently closed to applications. However, it is important that the agriculture sector is supported to increase efficiencies. One way to continue to support the sector to improve efficiencies, without the complications of a stand-alone scheme, could be to make efficiency/carbon audits and/or soil testing and nutrient budgeting a mandatory requirement of the receipt of basic payment support for all farmers.

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

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

Scottish Rural Network

The Scottish Rural Network (SRN) supports development through the networking of stakeholders who live, work or have an interest in rural Scotland. The SRN is also one of 32 Rural Networks across the EU that aim to:

- Get more people from rural communities, businesses and the wider public involved in policy developments that affect them.
- Help improve the delivery of the Scottish Rural Development Programme.
- Inform farmers, rural businesses and communities about policy and funding opportunities.
- Encourage innovation in agriculture, food production, forestry and rural areas.

Since 2014, the SRN has worked with a range of key partners to support a number of initiatives, including; the Organisation for Economic Co-operation and Development (OECD) Conference, Scottish Rural Parliament, LEADER and most recently the Rural Youth Project. The SRN has also established a rural Innovation Support Service to broker collaborative innovation through the food and drink supply chain (and forestry) as part of Make Innovation Happen and wider work on the Food and Drink Industry Strategy. The SRN also works closely with our EU partners (European Commission, Member States, Regions, local actors) strengthen vital linkages in rural development between Scotland and the rest of Europe.

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?

10. FURTHER CONSULTATIONS

Even before the EU referendum the Scottish Government had embarked on a long-term process to develop a strategy for the agriculture sector, in the context of Scotland's wider economy and our environmental and climate change objectives. Key steps in this process have been the publication of the CAP Greening Report, the Agriculture Champion's Report and the work of the National Council of Rural Advisors.

In the coming months the Scottish Government will lead two processes. One will be under the umbrella of the Simplification Task Force and will look closely at how best to bring simplicity into the planned period of stability. The other will be the wider process of civic engagement across Scotland using the results of recent reports and consultation to help develop new and innovative approaches for agriculture, the environment and the rural economy.

11. CONSULTATION PROCESS AND NEXT STEPS

Responding to this Consultation

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:

Email: agriconsult@gov.scot

Or write to us at:

RPID: Strategy and Innovation
Scottish Government
C1 Spur
Saughton House
Edinburgh
EH11 3XD

12. Annex A: Reports cited in the consultation

A Future Strategy for Scottish Agriculture: Final Report by the Scottish Government's Agriculture Champions -
<http://www.gov.scot/Publications/2018/05/4376>

CAP Greening Group: Discussion Paper -
<http://www.gov.scot/Publications/2018/01/2310>

Climate change: legislation - <https://beta.gov.scot/publications/climate-change-legislation/>

Environmental governance in Scotland after Brexit: report -
<https://beta.gov.scot/publications/report-roundtable-environment-climate-change-environmental-governance-scotland-uks-withdrawal/>

Forestry and Land Management (Scotland) Act 2018 -
<http://www.legislation.gov.uk/asp/2018/8/enacted>

National Council of Rural Advisors (NCRA) -
<https://beta.gov.scot/groups/national-council-of-rural-advisers/>

Scottish Rural Development Programme -
<http://www.gov.scot/Topics/farmingrural/SRDP>

13. Annex B: Glossary of acronyms

AECS	– Agri-Environment Climate Scheme
ANC	– Areas facing National Constraint
BES	– Beef Efficiency Scheme
BPS	– Basic Payment Scheme
CAP	– Common Agricultural Policy
EC	– European Commission
EMFF	– European Maritime and Fisheries Fund
FAS	– Farming Advice Service
FGS	– Forestry Grant Scheme
FPMC	– Food Processing, Marketing and Co-operation
HIE	– Highlands and Islands Enterprise
KTIF	– Knowledge transfer and Innovation Fund
LAG	– Local Action Group
LFASS	– Less Favoured Area Support Scheme
MS	– Marine Scotland
OECD	– Organisation of Economic Co-operation and Development
R100	– Reaching 100% Programme
SDI	– Scottish Development International
SE	– Scottish Enterprise
SEARS	– Scotland's Environment and Rural (Delivery) Services
SPF	– Shared Prosperity Fund
SRDP	– Scottish Rural Development Programme
SRN	– Scottish Rural Network
UK	– United Kingdom
VCS	– Voluntary Coupled Support
WTO	– World Trade Organisation



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