

## Infrastructure Services Committee - 20 June 2013

### RESPONSE TO STAGE ONE CONSULTATION ON SCOTTISH RURAL DEVELOPMENT PROGRAMME 2014-2020

#### 1 Recommendation

- 1.1 It is recommended that the Committee considers and approves the proposed response to the Scottish Government's first stage consultation on the Scottish Rural Development Programme (SRDP) 2014-20 programmes which is set out in Appendix 1 to this report.

#### 2. Background

- 2.1 The Scotland Rural Development Programme (SRDP) is funded by the European Agricultural Fund for Rural Development (EAFRD) and Scottish Government and provides support for a range of economic, environmental and social measures. The current programme was launched in 2008, will end on 31 December 2013, and is projected to deliver £1.2 billion of support to rural Scotland.
- 2.2 Scottish Government (SG) is required to submit proposals for the new SRDP to the European Commission setting out how European Union (EU) objectives for rural development will be delivered. This is the first of a two-stage consultation process with Scottish Government seeking views on its headline proposals to support and develop Scotland's rural economy. The new SRDP is scheduled to be launched in 2014, subject to agreement between the Council of Ministers, the European Commission and the European Parliament.
- 2.3 The budget for the new SRDP is expected to be smaller (by around 15%) than for the previous programme, necessitating more targeted use of available funds. The consultation also sets out how the SRDP programme is to align with other EU structural funds (such as European Regional Development Fund and European Maritime and Fisheries Fund) under a 'Common Strategic Framework'. This is a new approach and is intended to streamline delivery of all EU structural funds. The deadline for consultation responses is 30 June 2013.
- <http://www.scotland.gov.uk/Publications/2013/05/9633>

#### 3. Discussion

- 3.1 The consultation notes the unpopularity of the current SRDP and commits to improvement. Eight stakeholder groups were set up to make recommendations. Section 2 of the consultation sets out the EU's 6 Rural Development priorities, namely:
- Fostering knowledge transfer and innovation
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- Enhancing competitiveness
- Promoting food chain organisation & risk management
- Restoring, preserving & enhancing ecosystems
- Promoting resource efficiency & transition to low carbon economy
- Promoting social inclusion, poverty reduction and economic development

SG suggests that all 6 priorities are adopted for the new SRDP

3.2 Under the **Common Strategic Framework (CSF)**, a **Partnership Agreement** will be drawn up between the European Commission and Member States (devolved nations in the UK) to improve targeting and coordinated delivery of the various structural funds. SG proposes structural funds are marshalled into three '**Scottish Funds**' namely:

- Competitiveness, innovation and jobs
- Low carbon, resource efficiency and environment
- Local development and social inclusion

Each of the 'Scottish Funds' will be allocated resources from all structural funds and in turn channelled into individual schemes such as Less Favoured Area Support Scheme (LFASS).

3.3 A **Programme Monitoring Committee (PMC)** will oversee the performance of the 3 Scottish Funds and ensure resources are used appropriately. The new programme will have a simpler range of options which will be aligned more closely with EU audit requirements (to reduce the risk of non compliance penalties)

3.4 Most of the new SRDP will be delivered by the 3 main public sector agencies - Rural Payments and Inspections Directorate (RPID), Forestry Commission Scotland (FCS) and Scottish Natural Heritage (SNH) (as **Delivery Partners**) - while the Rural LEADER programme will continue to be managed by its Local Action Groups (LAGs).

3.5 A wider role is proposed for LEADER in community-led local development under SRDP and in administering applications from small/local businesses. How LEADER's 'bottom up' approach fits in with the 'top down' Partnership Agreement remains to be seen.

3.6 The consultation proposes two significant changes for the new programme. Land Managers Options – an easily accessible fund for wide ranging farm business improvement is to be discontinued. Furthermore RPACs (the Regional Project Assessment Committees) - which currently determine project applications - are to be disbanded in favour of a new, more streamlined assessment process.

3.7 Small/medium sized (Level 1) projects are to be handled by local case officers. Larger projects (Level 2) will be assessed by a national expert panel (comprising representatives from the main Delivery Partners). As a result the project assessment procedure will be speedier for applicants at both levels, with a single application point proposed for all project applications.

- 3.8 In response to the suggestion that some business beneficiaries received disproportionately high levels of (fixed) SRDP support for their projects, variable intervention rates are proposed for the next SRDP. There is also a proposal that indicative regional budgets are set to ensure SRDP resources are distributed more equitably across Scotland (Aberdeenshire achieved a significant share of the current programme).
- 3.9 There is strong support at EU level for Rural Development funds to provide a basic advisory service to land-based businesses, to help drive continuous and sustainable development. The consultation proposes a broadening of the Whole Farm Review Scheme to include advice on environmental as well as productivity gains.
- 3.10 Section 12 deals with the option for SRDP to provide loan funds. Scotland currently has loan schemes under the European Regional Development Fund but not, at present, SRDP. Given that access to private sector loan funds is currently a barrier to rural business development and - significantly - that there is a pressing need for the new (smaller) SRDP budget to go further, loan funds may be a very useful tool.
- 3.11 Finally, the consultation proposes continuing the arrangements under which some £25M per annum is transferred ('voluntarily') from Scotland's Direct Payments budget (Single Farm Payments) to supplement the SRDP budget.  
Respondent
- 3.12 The Head of Finance and the Monitoring Officer within Corporate Services have been consulted and are in agreement with the terms of the report.

#### **4. Equalities, Staffing and Financial Implications**

- 4.1 An Equality Impact Assessment is not required because this is a consultation document and an EIA has been carried out by the Scottish Government.
- 4.2 There are no direct staffing or financial implications arising from this report. European funding programmes could provide investments of several million pounds into Aberdeenshire from 2014-20.

**Stephen Archer,**  
**Director of Infrastructure Services**

Report prepared by Derek McDonald, Industry Support Executive (Rural & Maritime)  
29 May 2013

#### **APPENDIX 1**

### **SCOTLAND RURAL DEVELOPMENT PROGRAMME (SRDP) 2014-2020 CONSULTATION:**

#### **Aberdeenshire Council Response**

**The consultation document is available at**

**<http://www.scotland.gov.uk/Publications/2013/05/9633>**

## SECTION 2 : SETTING THE CONTEXT

**Question 1: Given the EU's Common Strategic Framework approach do you agree or disagree that EU funds in Scotland should be marshalled into three funds (paragraph 27)?**

Agree X  Disagree

**Please explain your views.**

The Council agrees that it is logical to consolidate funds in this way. The overarching themes of economic, social and environmental are a helpful and constructive way of bringing together the main priorities of the different structural funds

In practice however it is likely to be a significant challenge to bring together four different EU funds with different rules and regulations in a coherent way under the Common Strategic Framework. There is a risk that adding additional administrative structures and branding may create confusion (the 'Scottish Funds' are in fact combinations of other funds), but the provision of fully-matched funds would be welcomed by Delivery Agents.

**Question 2: Do you agree or disagree with the proposed establishment of a single Programme Monitoring Committee to ensure all EU funds are targeted effectively (paragraph 29)?**

Agree X  Disagree

**Please explain your views.**

Whilst agreeing in principle with the proposal to establish a single Programme Monitoring Committee (PMC) to oversee the performance of each of the 'Scottish Funds' there will be, for reasons of operational effectiveness, only a limited number of partners which could lead to the voice of some groups – including individual Local Authorities - being diluted, both on the PMC and the Strategic Delivery Partnership (SDP)

Moreover whilst representative bodies (such as Convention of Scottish Local Authorities - CoSLA) may well be able to represent the interests of their members on the PMC, they would not be able to commit to providing match funding on members behalf. It will be essential that those expected to contribute financially are provided with adequate representation on the SDP, the PMC or its constituent parts/subgroups.

## SECTION 3: OUR INVESTMENT PRIORITIES FOR RURAL DEVELOPMENT

**Question 3: Given the need to prioritise our spending in the future programme (paragraph 11) which articles do you see as a priority for use within the next programme?**

Agree  Disagree

**Please explain your views.**

Aberdeenshire Council suggests it is a matter for Scottish Government to determine the relevant articles to underpin the new programme.

**SECTION 5: STRATEGIC TARGETING OF INVESTMENTS**

**Question 4: Do you agree or disagree that we should geographically target our investment to areas where support will make the greatest contribution to our priorities?**

Agree  Disagree

**Please explain your views.**

Given that the new programme is likely to have a smaller budget than the current one, the principle of directing resources strategically to make the maximum contribution towards delivering Scotland's Rural Development priorities is logical. For some elements of the new SRDP it may be appropriate to target resources geographically. Other structural funds use such regional delivery models to allocate funds to functional geographical areas but experience from the current European Regional Development Fund shows that regional allocation is not always matched with the regional appetite for uptake.

There have been local examples (in the further education sector) where overly rigid targeting criteria (urban/rural demarcation) have impeded delivery of desirable projects. This should be avoided in the new SRDP.

A regionalised approach is also likely to add a further layer of administrative complexity and should only be considered if adequate management resources are provided (including extension services in target areas to promote uptake).

**SECTION 7: DELIVERING THE SRDP: PROGRAMME STRUCTURE**

**Question 5: Do you agree or disagree that support for small local businesses should be provided through LEADER?**

Agree X  Disagree

**Please explain your views.**

This is a very useful suggestion. The Aberdeenshire LEADER Action Group (LAG) is probably not unique in having within its membership an extensive range of rural business management knowledge and experience, and a detailed grasp of the context in which small/local rural businesses operate. The LAG would therefore be well-placed both to determine project support applications from small/local businesses and also to provide wider business development advice and guidance through the LAG network. This would be subject to additional budget resources being provided over and above those for its core community enterprise programme. The size of small business project applications falling within the scope for the LAG would also need to be clearly defined.

**Question 6: Do you agree or disagree to the proposal to disband RPACs and replace with a more streamlined assessment process as explained in Section 8?**

Agree X  Disagree

**Please explain your views.**

Aberdeenshire Council welcomes a faster and more streamlined project assessment process.

**Question 7: Do you agree or disagree that LMOs should be removed from the future programme, given the spending restrictions we are likely to face and the need to ensure maximum value from our spending?**

Agree  Disagree

**Please explain your views.**

The mid-term review of SRDP in 2011 noted the lack of evidence of beneficial impact delivered under Land Managers Options (LMOs) but it is not clear from the consultation document whether the continuation of the scheme could be justified if data gathering was improved. In the circumstances it can only be surmised that the costs of monitoring are probably disproportionately high compared to benefits delivered. If so, and in the context of a reduced budget, the Council broadly supports proposal to remove LMOs from the new SRDP.

**Question 8: Do you agree or disagree that the Forestry Challenge Funds be discontinued, with WIAT being funded through Rural Priorities and F4P funding being provided via LEADER?**

Agree X  Disagree

**Please explain your views.**

The Council supports the proposals for Woods in and around Towns (WIAT) and Forestry for People (F4P).

**Question 9: Do you agree or disagree that Food and Drink grants be decided via the wider decision-making process for business development applications or should they remain separate and managed within the Scottish Government as is the current practice?**

Agree  Disagree X

**Please explain your views.**

The Food and Drink sector is a high-performing part of the Scottish economy. The council's industry partners advise that the current arrangements for assessing Food and Drink grants work well (though a faster decision-making process would be welcome).

It is not always appreciated that the budget for the Food Processing and

Marketing Grant scheme, which is intended to provide indirect benefit to farmers by stimulating market opportunities for primary processors, is derived from CAP. Were the scheme to be administered by the competitiveness fund delivery partners, there might be a risk of a shift in emphasis, resulting in less benefit for Aberdeenshire's primary production and processing sector which is a key element of the local economy.

It is recommended therefore that the Food Processing and Marketing Grant scheme should continue to be delivered under current arrangements.

**Question 10: Do you agree or disagree with crofting stakeholders that a Crofting Support Scheme is established in the new programme that will fund all grants relevant to crofting?**

Agree  Disagree

**Please explain your views**

No comment

**Question 11: If a Crofting Support Scheme is developed, do you agree or disagree that crofters (and potentially small landholders) be restricted from applying for other SRDP schemes which offer similar support?**

Agree  Disagree

**Please explain your views.**

No comment

**Question 12: Do you agree or disagree on whether support for crofting should extend to small land holders of like economic status who are situated within crofting counties?**

Agree  Disagree

**Please explain your views.**

No comment

**Question 13: Do you agree or disagree with the proposed replacement of the Skills Development Scheme with an Innovation Challenge Fund?**

Agree X  Disagree

**Please explain your views.**

There is a need for practical and accessible methods of supporting business improvement initiatives such as the Monitor Farm programme. The consultation proposes a challenge fund which would maintain and extend such support, potentially by using part of the Direct Payments budget. The Council agrees this is a useful proposal.

**Question 14: Do you agree or disagree with the measures proposed by the New Entrant Panel (paragraph 92) to encourage new entrants to farming?**

Agree X  Disagree

**Please explain your views.**

'New entrants' have since 2004 operated at a very considerable disadvantage to the rest of the sector due to the historic basis for Direct Payments. There is clear evidence in Aberdeenshire of the beneficial impact which new/young farmers can bring to the local economy. Accordingly the council supports the 6 measures advanced by the New Entrants Panel and hopes that the new proposals can also facilitate more effective resolution of succession issues ('generational renewal')

## **SECTION 8: APPLICATION AND ASSESSMENT PROCESS FOR AGRICULTURE, ENVIRONMENT, LANDSCAPE AND FORESTRY**

**Question 15: Do you agree or disagree with the proposed case officer approach to the assessment of applications?**

Agree X  Disagree

**Please explain your views.**

Aberdeenshire Council agrees with the new approach, whereby Level 1 (small to medium) project applications are considered on an ongoing basis (rather than at quarterly assessment meetings at present) by case officers working within a case officer network from the main Delivery Partners.

Concern has been expressed by industry representatives over apparent inconsistency between individual case officers undertaking project assessment in the current programme (eg between regions). It would be helpful if the new programme could set out how such concerns might be addressed

**Question 16: Do you agree or disagree with the proposed single entry route for applications with a two level assessment process?**

Agree X  Disagree

**Please explain your views.**

The Council agrees with a single entry route for all applications (for the benefit of applicants) and with the proposal to stream applications - on the basis of scale - to either to a local case officer/officer network or to a national expert panel (to ensure appropriate scrutiny of large project applications).

**Question 17: Do you agree or disagree with the proposed negotiation of variable intervention rates rather than setting fixed intervention rates?**

Agree X  Disagree

**Please explain your views.**

There have been suggestions that some Rural Priorities capital project applicants in the current programme were awarded larger grants than they actually needed. The introduction of variable intervention rates in the new SRDP is welcomed by the Council and should enable better use of limited resources.

**Question 18: Do you agree or disagree with the proposed setting of regional budgets across the Rural Development Regulation (RDR) articles?**

Agree  Disagree

**Please explain your views.**

As detailed in the answer to Q4 above, setting and monitoring regional budgets across all Rural Development Regulation (RDR) articles adopted will add to administrative complexity and should only be considered if adequate management resources are provided. If adopted, a degree of flexibility across regional budgets should be built in.

**Question 19: What support and assistance do you think applicants will need for this application process to work effectively?**

**Please explain your views.**

As with the introduction of any new programme it is anticipated that prospective applicants will need guidance on the range of relevant options for their business, application process milestones and timelines, relevant case studies, illustrative examples and indicative budget advice (particularly if the basis of support is to move to a 'fixed cost' system).

**SECTION 9: INTEGRATED INVESTMENTS**

**Question 20: Do you agree or disagree with the value of developing a descriptive map of holdings to help farmers and stakeholders understand the potential ecosystem value of specific holdings?**

Agree X  Disagree

**Please explain your views.**

A descriptive map as proposed, building upon the information already held by RPID at farm holdings level would be a very useful asset for both farmers and Delivery Partners. The map could also contribute significantly to delivery of the Land Use Strategy for Scotland.

**Question 21: Do you agree or disagree with the proposal to allow applicants to submit single applications which set out all investments/projects that the applicant would like to take forward on their land?**

Agree X  Disagree

**Please explain your views.**

There is reference in the consultation document to the benefits of neighbouring land managers working together to deliver landscape scale improvements. Agreement between neighbours on such projects at a practical level is rarely simple or straightforward. It is unfortunate that willing partners were frustrated by the current assessment process. Enabling applicants to submit a consolidated, integrated and synchronised project proposal would constitute a major step forward from the status quo and is strongly supported by the Council.

**SECTION 10**

**Question 22: Do you agree or disagree that it would be helpful to allow third party applications for specific landscape scale projects?**

Agree X  Disagree

**Please explain your views.**

Large and medium scale collaborative projects will require extensive consultation and the provision of specialist advice and guidance, not all of which will necessarily come from public sector sources. It is hard to see how such projects could be developed and implemented in a coordinated fashion without a facility for a third party specialist to make the application of behalf of the wider group. This proposal is therefore supported by the Council.

**Question 23: Do you agree or disagree with public agencies working together to identify priority areas that could benefit from a co-ordinated third party application?**

Agree X  Disagree

**Please explain your views.**

The arguments (above) in favour of a coordinated landscape scale approach apply equally to public sector agencies.

**Question 24: Do you agree or disagree with the establishment of a separate fund to support collective action at the landscape scale?**

Agree  Disagree

**Please explain your views.**

Whether the establishment of a separate fund for collective action could be justified would depend on the level of tangible support emerging from this consultation and, perhaps, the apparent level of unfulfilled demand under the current SRDP. The Council does not have a clear view on this point due to lack of evidence.

## SECTION 11: ADVISORY SERVICE

**Question 25: Do you agree or disagree with broadening the Whole Farm Review Scheme to include biodiversity, environment, forestry, water pollution control and waste management?**

Agree X  Disagree

**Please explain your views.**

Given that there is an expectation on the part of the general public that the land-based sector will deliver ecosystem services (as well as food) in return for subsidy, the industry in Scotland should be helped to meet those expectations. Broadening the Whole Farm Review Scheme to incorporate wider environmental benefits may be one of the more cost-effective methods of delivery.

**Question 26: Do you agree or disagree that we allocate SRDP budget to advice provision when we move to the next programme?**

Agree X  Disagree

**Please explain your views.**

There is a clear wish at EU level for the land based sector to benefit from enhanced levels of knowledge transfer and exchange to help drive business improvement. This is welcomed by the Council. Arguably the problem in Scotland has more generally been the adoption of technical improvement (eg in the livestock sector) rather than the provision of advice and information – hence the importance of the Monitor Farm programme. However the situation on advice provision is addressed, the Council considers that it essential that independent rural business advisers are not disadvantaged by channelling resources exclusively to SRUC.

## SECTION 12: FINANCIAL INSTRUMENTS

**Question 27: What are your views on the merits of providing loans for specific purposes and/or specific sectors?**

**Please explain your views.**

The view of the Council on whether loans and/or grants should be provided to rural businesses under SRDP hinges on whether the greater obstacle is the cost of business finance - or access to finance. Insofar as effective use of public resources is concerned, grants would provide the more effective remedy for the former while loans would be sufficient for the latter.

The Council is aware of several recent cases where local land-based businesses have cited access to finance as the primary obstacle to their development plans. Loans should therefore be actively considered as an option, even though this will involve more administrative monitoring and complexity. And given the relatively small SRDP budget for the new programme, as loans are repaid, resources could be recycled to benefit many more applicants over the life of the new programme and beyond.

## SECTION 13: VOLUNTARY MODULATION

**Question 28: Do you agree or disagree with the proposal to maintain the current level of transfer from Direct Payments to SRDP in the new programme period?**

Agree X  Disagree

**Please explain your views.**

As the Pillar 2 budget for the new programme is again likely to be disappointingly small, the Council agrees that voluntary modulation is likely to be required at a similar level to the current programme. The consultation does not appear to refer to the potential for other structural funds to contribute to a more coherent Rural Development programme for Scotland (eg European Regional Development Fund)

## SECTION 14: EQUALITIES IMPACT ASSESSMENT (EQIA)

**Question 29: Please tell us about any potential impacts, either positive or negative; you feel the proposals in this consultation document may have on any of the equalities characteristics listed in paragraph 136.**

No impacts noted