

ARD Stakeholder Group Meeting

12 March 2019

John Kerr	Head of Agriculture Policy Division – SG (Chair)
Beth Webb	Soil Association
Claudia Rowse	SNH
Drew Ratter	Highlands & Islands Agricultural Support Group
Eleanor Kay	SLE
Ian Muirhead	Agriculture Industries
Jackie Green	Scottish Enterprise
Jamie Farquhar	CONFOR
Jeremy Moody	Central Ass. Of Valuers
John Fyall	NSA
Jonnie Hall	NFUS
Keith Matthews	James Hutton Institute
Mark Aitken	SEPA
Martin Morgan	Scottish Association of Meat Wholesalers
Mary Macleod Rivett	Historic Environment Scotland
Patrick Krause	Scottish Crofting Federation
Rob Clarke	Highlands and Islands Enterprise
Ross Lilley	SNH
Steven Thomson	SRUC
Vicki Swales	RSPB/SE LINK
Alan Robertson	SRN - SG
David Barnes	EU Hub - SG
Eddie Turnbull	RPID - SG
Helen Stanley	CAP, GM & Agricultural Climate Change – SG
Kim Gallagher	CAP, GM & Agricultural Climate Change – SG
Kirsten Beddows	CAP, GM & Agricultural Climate Change – SG
Mike Parker	SASA – SG
Mike Wilson	CAP, GM & Agricultural Climate Change – SG
Rachel Smith	CAP, GM & Agricultural Climate Change – SG
Shirley Graham	CAP, GM & Agricultural Climate Change – SG

Apologies (and/or organisations not represented at meeting):

AHDB, AIC, Committee of Scottish Bankers, Convention of Scottish Local Authorities, Deer Farmers, Institute of Auctioneers and Appraisers in Scotland, Linking Environment and Farming (LEAF), SAOS, SBA, SOPA, QMS

1. Welcome and Introductions

1.1 John Kerr (JK) welcomed everyone and informed members there would be a presentation from Eddie Turnbull, Head of Agriculture and Rural Economy's Information Services within the Scottish Government (SG) on the latest Digital and IT position. JK told members there would also be a presentation from Joe Gildea Senior Policy Adviser, within SG's EU Office in Brussels on the latest CAP negotiations. He also informed members of George Milne's departure from NSA and

the ARD Stakeholder Group. JK thanked George for his contributions and input over the years and SG was writing to him to express its thanks.

2. Minutes and Actions from Previous Meeting

2.1 The previous minute had been circulated and there was one outstanding action;

Para 7.8 – Re Brexit contingency planning. When asked whether it would be possible for SG to produce easy to read briefing papers for stakeholders to share with their members, JK explained the position hasn't changed for some months now, but understands the importance in keeping stakeholders updated and will think about how we can do this. **Update:** JK understands that many stakeholders have been involved in dialogue with SG through Ministers and officials, so SG didn't put any blanket correspondence out to members. He told members there's ongoing piece of work to ensure the right communications to people at the right time. Some of which will be signposting to what UKG is doing for the whole country.

2.2 JK asked Vicki Swales (VS) and Jamie Farquhar (JF) for an update regarding the funding guarantees letter they'd agreed to draft on behalf of ARD members. JF told members the letter was issued to HM Treasury on 11 March and would circulate with members.

3. Brexit update

3.1 David Barnes (DB) provided an overview of the EU/UK Negotiations and explained that the position has changed overnight. The Prime Minister (PM) returned from Strasbourg overnight with a new proposal and officials understand there's a unilateral UKG document in addition to the two joint documents agreed by the EU and UK government sides. One significant clarification is that we understand the EU has signed up to the document that in effect, states that if the EU side were to behave in a way that deliberately delays the agreement of alternative arrangements to the Ireland/Northern Ireland backstop, in order to keep UK in the backstop position against its will, this would be breaching the legally binding Withdrawal Agreement. DB explained the voting process that was due to take place in Westminster over the next few days to consider accepting the deal, a no deal or an extension which would then need to be agreed to by the EU.

3.2 DB reiterated the point that ideally SG doesn't want to leave the EU at all, but if we do, we want to stay in the Single Market and Customs Union. Given the blockage at Westminster, SG still maintains the position of a second referendum as a way of breaking through the blockage. DB signposted members to a [website](#) - [prepareforbrexit.scot](#) that provides information on how businesses can prepare for Brexit, containing SG material and signposting to other useful information.

3.3 DB informed members' that SG has put arrangements in place to deal with No Deal Brexit impacts. There's a standard SG emergency response system which will be dedicated to this No Deal work, but this will be reserved to very urgent issues, such as 'threat to life' type situations. For less urgent, yet important No Deal queries, these will be absorbed by members' usual SG contacts – unless told

otherwise. There was a discussion around tariffs – comments to be relayed to the team dealing with this area.

3.4 Members expressed concern over the number of businesses in the sector who will not be used to exporting outside the EU and wondered how many businesses have signed up for licences. DB stated that he didn't have the exact figures for this, but colleagues in Food and Drink are leading on this area and are concerned by how few businesses have signed up. One member highlighted a short paper by Scotland Food and Drink, prepared in conjunction with SG and other stakeholder organisations, that sets out what businesses have to do regarding importing and exporting. Businesses would benefit from reading this and DB encouraged members to share this with their sectors.

3.5 DB provided an update on the Intra UK position starting with the Defra Agriculture Bill. There's currently no progress on the Bill and no dates for the next parliamentary stages – whether the UK gets a deal will impact on this. As members are aware, some clauses of the Bill are drafted to apply on a UK wide basis – SG believes the policy areas in question to be devolved, but the Bill, as it's drafted treats them on the basis that they're reserved. So the dispute continues. In regards to legislation in Scotland, DB explained the position remains the same as detailed at the previous meeting of 29 January. SG is continuing its work towards a Scottish Bill and the powers in this Bill would allow SG to do what is set out in the Stability and Simplicity consultation.

3.6 The Bill will therefore cover the period until 2024. Powers may take a different form depending on the area – e.g. in many cases it is likely the powers will take the form of powers to amend retained EU law, but there are areas where the best approach may be 'standalone' powers, for instance on marketing standards. DB explained there's lots of work still to be done on the Bill and SG will work out how to manage stakeholder engagement. DB doesn't expect there to be a formal consultation on the Bill but SG intends to provide a mechanism for stakeholders to engage with SG on this. Members felt they would benefit from a schematic on the policy landscape and policy groupings, as well as a breakdown of who is doing what in different departments. SG took this as an action. **ACTION. Update: Action completed 22/05.**

4. Digital and IT Update

4.1 Eddie Turnbull (ET) provided an overview of the IT system and the stages of development. He told members that IT service supports many areas and is extraordinarily complex for the number of customers. It's a massive database holding 1 billion records, the majority of these records are for audit purposes. For the BPS three region approach in Scotland, a very integrated system was created where everything is dependent on highly accurate mapping of the land, which SG does digitally. A big part of work has been capturing the aerial photography for 2015 through to 2018, which has been a massive data entry, conversion and migration exercise. One significant milestone is that the new Land Parcel Information System (LPIS) is now being used in area offices to process SAF applications for 2018. So it gives them a functionality they've never had before.

4.2 ET explained that lot of colleagues' time has been spent gathering thoughts on a simpler way of implementing. ET told members that SG is now starting to look at how new schemes might look, it's important to look at the rural economy as a whole, and how digital technologies can support it, while creating a better user experience for the customers. Going forward, ET intends to produce a digital strategy.

4.3 Members were interested to know why there's often delays in customers receiving their money. ET explained that the technology is now in place to make the payments, but under CAP 2015 rules there's other tasks that need to be completed in the round before payments are made, such as completing all land inspections. There are also a number of cross-compliance checks that need to be completed which throw up queries that need to be checked across multiple claims. So it's not a simple case of dealing with one claim from one customer at a time. Budgeting also has an impact, final payments can't be calculated accurately until every last claim has been processed to ensure that the funds available are distributed appropriately. There's then an operational judgment call, on whether to make lower payments early with a top up payment at a later stage, or wait until everything has been calculated, but the risk is that all payments could be late. Sometimes SG has to error on the side of caution. The system is required to be dynamic so that if there is a change to eligibility (say identified during an inspection) that's applied to a year already processed, then the system must recalculate and adjust for all years affected.

4.4 Members asked whether any checks can be done whilst financial scrutiny is happening as some customers are receiving letters asking them to prove status of fields months after applications have been submitted. Shirley Graham explained that if an audit has recently taken place, and a deficiency has been identified, in the way things have currently been done, SG may have to conduct further checks to satisfy audit that SG is meeting the regulations. Shirley stated that members should consult the guidance in regards to what customers should be including in their forms as it's been updated this year.

4.5 DB added, the intention is always to complete the checks as soon as possible but SG is subject to masses of audit by Europe. Their job is to ensure the money is being paid out accurately and they consider there's no discretion to apply any tolerance. When they make a ruling, SG has no choice but to act on it even if it seems disproportionately risk averse. DB told members that after Brexit SG may have more scope to make this judgement call and deal with situations proportionately. It's something SG will be incorporating when planning future policy. **Please see ET presentation slides for more information.**

5. CAP Negotiations

5.1 Joe Gildea (JG) informed members that he was responsible for Agriculture and Climate Change in the EU Brussels office. JG reminded the group that in June 2018, the European Commission (EC) tabled proposals for CAP reform – covering the policy from 2021–2027. A big aspect of future CAP is the proposed reduction in the budget by 5%, to around €365 billion over the seven year period. Other key aspects of the **proposals** are:

- A change in the governance to CAP strategic plans;
- a new delivery model where Member States (MS) will have more freedom to design or pick interventions that better suit their circumstances as long as they deliver against commonly agreed EU objectives;
- capping payments for individual farms and a phased reduction of payments;
- strengthening of conditionality for farmers who receive direct payments with;
- a requirement 30% of Pillar 2 to be targeted towards the environment and 40% of the overall CAP spend targeted at climate action;
- inter pillar transfer limits increased;
- and some previous voluntary schemes now being made mandatory, such as; support for young farmers and establishment of risk management schemes

5.2 The proposals are being discussed intensively in the Agriculture Committee (COMAGRI) in the European Parliament and in the various Council working parties. The MS have been expressing a variety of concerns on the proposals, mostly around the new delivery model and the changes this will cause for authorities, as they will have to design and implement new schemes. There are doubts that the proposals will deliver on simplification as well as concerns around what is seen as re-nationalising the CAP.

5.3 COMAGRI have concerns around the reduction in their role in CAP governance as a result of the new delivery model. The Environment Committee within the European Parliament have expressed disappointment on the manner in which the proposals have gone through Parliament as they wanted a larger role for their Committee. Content-wise, they would like to see a certain amount of money ring-fenced every year for biodiversity, and 30% of Pillar 1 to be used for eco schemes.

5.4 Due to the European Parliament elections and delays in the MFF budget negotiations, where there won't be clarity until October/November, it's highly likely there will be a delay in the implementation of the new CAP – i.e. 1-2 years after 2021.

5.5 JG stated that if there's a Brexit deal, CAP will apply – but only until the end of the implementation period. It wasn't expected to apply during any extension to the implementation period. In regards to convergence, JG explained under the new CAP proposal (2021 – 2027) all MS with direct payments below 90% of the EU-27 average will close 50% of the gap to 90% of the EU average over 6 years. That's hugely important for some MS, in particular eastern European states, who don't get, in their view, a large enough share of the CAP budget. Continuation of convergence in the EU will add weight to Scotland's argument.

5.6 JG updated members on Unfair Trading Practises (UTP). It's an attempt by the EC to put something in place to ensure small business are better protected in the supply chain. On 12 March there was an agreement in Parliament and it will be waved through the Council on 25 March. It sets out a minimum level of

harmonisation to ensure a level playing field by designating a list of things that are considered UTP and outlaws them. MS would have to designate a public authority to enforce rules, conduct investigations and cooperate on cross border cases. The threshold has been set at €350 million annual turnover. The transposition period has been set at 24 months for laws to be published and 30 months for legal effect. This timing would take it beyond the currently proposed Implementation Period. However there are third country provisions within the directive, so it remains to be seen how these will work in practice and the impact on the UK and Scotland post Brexit.

5.7 JG confirmed that the EU office will remain in Brussels after Brexit. The UK Representation will become the UK Mission to the EU, UKMIS for short. JG explained that colleagues in the Brussels office will maintain their presence, continue to work under the various scenarios and continue relationships and engagements with colleagues in UKREP and the other DAs. He told members there is work being carried out looking at how to maintain engagement and influence EU developments going forward if we're no longer part of a MS.

6. Pillar 1 and 2 updates

6.1 In the absence of RPID, Kirsten Beddows (KB) informed the group of the latest Pillar 1 updates. The latest payment statistics for 2018 payments were all over 94% with a particular jump in payments made for AECS and FGS. This was positive news and welcomed by the group. Action for secretariat to circulate latest payment statistics to members. **ACTION. Update: Action completed 17/05.** KB stated that there is no change to the payment timescale and RPID colleagues are still working towards this. KB moved on to Pillar 2 updates, stating there's not much change since the last meeting. She reminded members that the 2019 AECS round is open and closes on 12 April for standard agri environment applications, 31 May for collaborative applications (five or more) and 26 June for standalone slurry storage. KB encouraged members to promote the AECS whilst there's certainty. She told members that the Rural Development Operational Committee (RDOC) is taking place on 2 May, so there will be a more detailed update on various schemes at the next ARD meeting. Members asked for another column to be added to show actual spend in the update table that RPID provide. KB said she would ask RPID.

ACTION

6.2 KB passed over to Shirley for a LFASS update. Shirley explained that on 6 February, the Cabinet Secretary announced that an LFASS loan of 90% would be made and £39 million will be paid out on the next few days to approximately 6089 recipients. She told members that if recipients want a loan, then to submit their form as quickly as possible. Shirley informed the group that officials are working on options to mitigate the reductions in LFASS payment rates for the 2019 and 2020 scheme years and have arranged meetings with stakeholders to discuss options. Shirley asked stakeholders to get in touch if they'd like to participate in these discussions.

7. AOB

7.1 Under AOB, JK mentioned the Lord Bew review on intra-UK funding allocations. He told members this was ongoing – despite SG not agreeing with terms, it's fully engaging with the review. He informed the group that the review is independent of Government, and the Scottish representative on the panel is Jim Walker CBE. He explained there would be some stakeholder involvement as the panel wants to hear views. This will most likely come via a letter and UKG is also issuing a UK wide questionnaire. JK said that the panel would be happy to take any other comments, and following stakeholder input, the panel will be having discussions with economists for further analysis and input. JK said that another panel meeting was taking place on 13 March. He stated he will keep members updated on the progress of the review.

7.2 JK briefly mentioned Stability and Simplicity, stating when there's something new to tell members, SG will be in touch. JK reminded members that the next ARD Stakeholder Group meeting will take place on 23 May, and SG will be in touch with members beforehand if there's any information they urgently need to be made aware of.