



SCOTTISH EXECUTIVE

**RURAL DEVELOPMENT
REGULATION (EC) NO 1257/1999
RURAL DEVELOPMENT PLAN FOR
SCOTLAND**

(AMENDED FEBRUARY 2005)

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PREFACE

RURAL DEVELOPMENT REGULATION (EC) NO 1257/1999: PLAN FOR SCOTLAND

1. This Plan sets out a description of rural Scotland, with particular emphasis on the agricultural and forestry sectors, strategic priorities for the investment of EU and domestic funds to support certain activities which fall within the scope of the Regulation, and forecast levels of expenditure.

2. The Plan reflects the format set out in the European Commission Implementing Regulation (EC) No 1750/1999. Co-ordination, and the bulk of the drafting of this Plan, has been undertaken by officials from the Scottish Executive Environment and Rural Affairs Department. A Plan Team, chaired by SEERAD, has overseen this work and several members of the Team have submitted significant amounts of text, as well as comments and recommendations particularly on 'non-accompanying' measures which were originally included in the Plan, but which will now be submitted as separate state aids. The Plan Team will continue its work until the Plan is approved by the European Commission, and ready for implementation.

3. Plan Team members are:

Jim Stephen (Chair)	SEERAD
Neil Ritchie	SEERAD
John Wilson	SEERAD
Mark Nicoll	SEERAD
Ian Hain	Marketing Consultant
Carol Chalmers	SEERAD
Ken Gray	SEERAD
Jennifer Rowland	Scottish Enterprise
Adrian Colwell	Convention of Scottish Local Authorities
Tony Fitzpatrick	Dumfries and Galloway Council
Michelle Henry	South Lanarkshire Council
Fiona Bell	Aberdeenshire Council
Lutz Badenhop	Angus Council
Jonathan Hall	Scottish Landowners Federation
Craig Campbell	National Farmers Union Scotland
Julian Pace	Scottish Borders Enterprise
Derek Nelson	Forestry Commission (Scotland)
Steve Sankey	Scottish Wildlife Trust
Janice Winning	Scottish Natural Heritage
Bob Yuill	Scottish Agricultural Organisation Society
Joanna Douglas	Scottish Environment Protection Agency
Gerry Beard	Euro Access (ex-ante evaluator)

4. Euro Access have undertaken the required independent ex-ante evaluation of the Plan, and a summary is included at Chapter 17.

GLOSSARY OF ACRONYMS USED IN THE PLAN

AAPS:	Arable Area Payments Scheme
AMG:	Annual Management Grant
BAP:	Biodiversity Action Plan
BSE:	Bovine Spongiform Encephalopathy
CAP:	Common Agricultural Policy
CPS:	Countryside Premium Scheme
EAGGF:	European Agricultural Guidance and Guarantee Fund
EC:	European Commission
ERDF:	European Regional Development Fund
ESA:	Environmentally Sensitive Area
EU:	European Union
FWPS:	Farm Woodland Premium Scheme
FWS:	Farm Woodland Scheme
GDP:	Gross Domestic Product
GFP:	Good Farming Practice
GRO:	General Register Office for Scotland
Ha:	Hectare
HIE:	Highland and Islands Enterprise
HLCA:	Hill Livestock Compensatory Allowance
IACS:	Integrated Agricultural Control System
LAG:	Leader Action Group
LBAP:	Local Biodiversity Action Plan
LFA:	Less Favoured Area
LU:	Labour Unit
MDS:	Marketing Development Scheme
MLURI:	Macaulay Land Use Research Institute
OAS:	Organic Aid Scheme
RDR:	Rural Development Regulation
RDP:	Rural Diversification Programme
RSS:	Rural Stewardship Scheme
SAC:	Special Area of Conservation
SEPA:	Scottish Environment Protection Agency
SEERAD:	Scottish Executive Environment and Rural Affairs Department
SNH:	Scottish Natural Heritage
SPA:	Special Protection Area
SSSI:	Site of Special Scientific Interest
WGS:	Woodland Grant Scheme
WIG:	Woodland Improvement Grant
WTO:	World Trade Organisation

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CHAPTER 1: TITLE

The “RURAL DEVELOPMENT PLAN FOR SCOTLAND”

CHAPTER 2: MEMBER STATE AND ADMINISTRATIVE REGION

2.1 United Kingdom. This Plan is submitted by the Scottish Executive, which was constituted under the Scotland Act 1999. This legislation devolves a range of powers and responsibilities to the Scottish Parliament. The Plan covers the administrative region of Scotland.

CHAPTER 3: GEOGRAPHICAL AREA COVERED BY THE PLAN

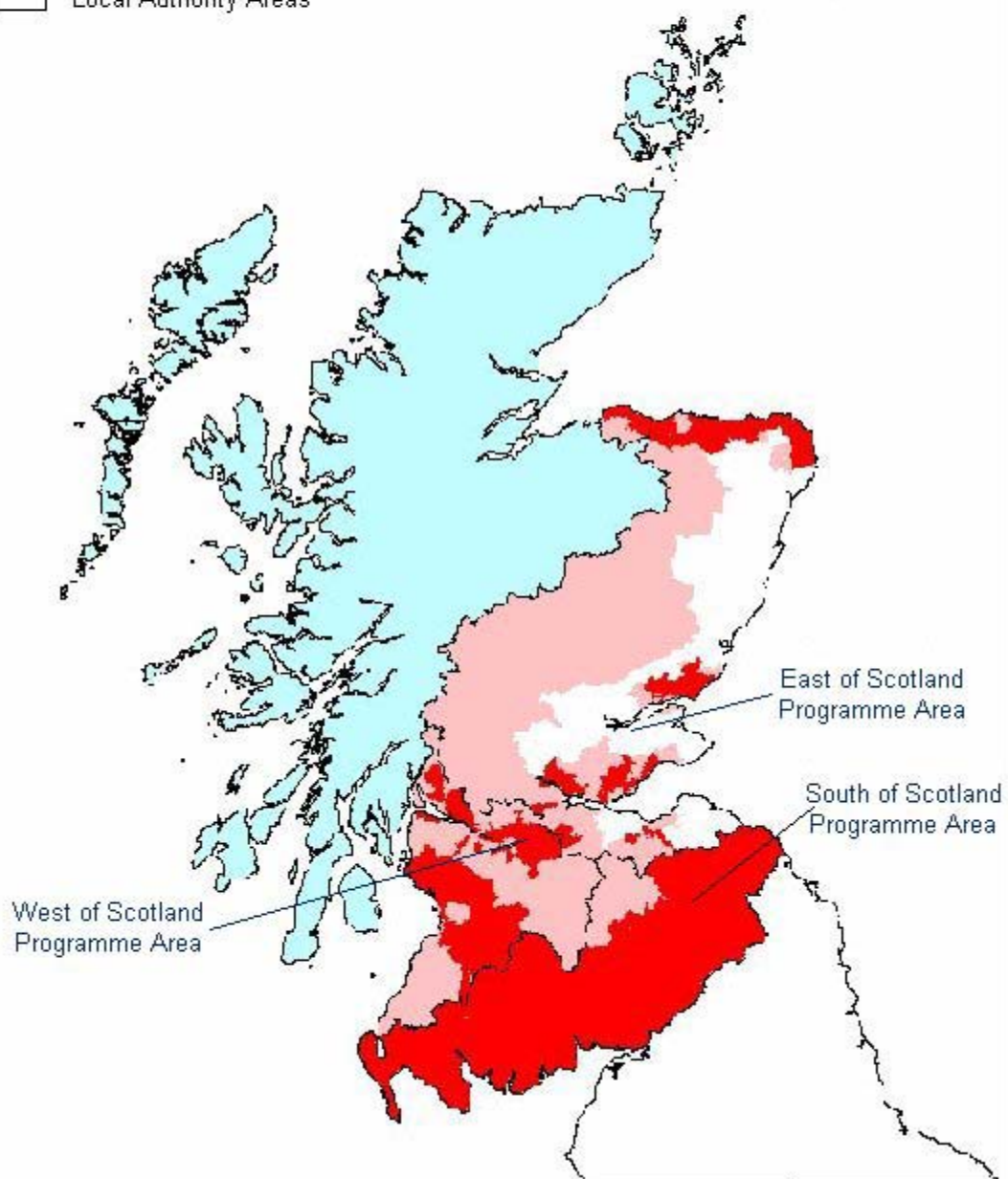
3.1 The Plan covers the whole of Scotland, in that the accompanying measures: agri-environment, support for less-favoured areas and afforestation of agricultural land have been programmed on an all-Scotland basis.

3.2 The map below shows that the **Highlands and Islands of Scotland** have been designated as an Objective 1 area in transition. In accordance with Article 40(1) of the Rural Development Regulation, non-accompanying measures, which are to receive support from the EAGGF Guidance Section, have been incorporated in the Highlands and Islands Special Transitional Programme. These measures include investments in agricultural holdings (including diversification within agriculture) under Articles 4-7 of the RDR, marketing and processing of agricultural products (Articles 25-28), forestry development (Article 30), diversification outwith agriculture, a development scheme for crofting communities, marketing of quality agricultural products, and enhancement/maintenance of the environment and rural heritage (all under Article 33).

3.3 The map also shows **Objective 2 and transitional areas** (textual descriptors at Annex A) which have been agreed by the European Commission. The 3 accompanying measures included in this Plan will apply across all rural areas of Scotland, including rural parts of Objective 2 and transitional areas, so these measures will not, therefore, be incorporated within the Structural Funds Programmes for these areas. However, the rural parts of Objective 2 and transitional areas, as well as other rural areas not designated as Objective 1, Objective 2 or transitional, will be eligible for support from state-aided measures ie marketing and processing of agricultural products (Articles 25-28), marketing of quality agricultural products (Article 33), business development, including diversification, (Articles 4-7 and Article 33), which are not included in the Plan, but which fall within the legal provisions of the Rural Development Regulation. These schemes will comply with the European Commission’s Guidelines for State Aid in the agriculture sector, and will be notified to the Commission, through the standard procedures, before any expenditure is incurred.

**MAP 1 - REVISED STRUCTURAL
FUNDS MAP
2000-06**

- Objective 2 Areas
- Transitional Areas
- Highlands & Islands Special Programme
- Local Authority Areas



CHAPTER 4: PLANNING AT THE RELEVANT GEOGRAPHICAL AREA

4.1 As indicated earlier, EAGGF Guidance-funded measures (ie non-accompanying measures) which fall within the scope of the RDR, have been incorporated in the Highlands and Islands Special Transitional Programme. The CAP Accompanying Measures will apply on a pan-Scotland basis, and the state-aided measures described in paragraph 3.3 will apply across all rural areas of Scotland, outwith the Highlands and Islands.

4.2 Since the RDR is horizontal across all rural areas in a Member State, it was decided not to attempt to integrate measures falling within the scope of the Regulation within new Objective 2 Plans for the East, West and South of Scotland, which incorporate transitional funding for areas which previously had Objective 2 or Objective 5b designation, but which were unsuccessful in securing Objective 2 status under the new Regulation. This decision was taken to avoid fragmentation and complexity. However, consistency and compatibility will be achieved through the involvement of national and regional organisations, including representatives from the farming and landowning industries, in the preparation of this Plan. Several of the members of the team who helped to draw up this Plan are also involved in the preparation of the Objective 2 Structural Funds Plans. In addition, the Scottish Executive has overall responsibility for the development and implementation of both RDR and Structural Funds Plans in Scotland, and the Scottish Executive Environment and Rural Affairs Department and the Scottish Executive Development Department are working in close co-operation.

4.3 The other means by which compatibility and consistency will be achieved is in the delivery of the schemes falling within the scope of the RDR, and those activities incorporated in the Highlands and Islands Special Transitional Programme, and the Objective 2 (including transitional) Structural Funds Plans. Measures incorporated within the Highlands and Islands Plan will be overseen by a partnership of the key regional agencies, social and economic partners, and the Scottish Executive. The Scottish Executive Environment and Rural Affairs Department is a member of this partnership, as well as providing much of the domestic match funding for the EAGGF measures included in the Plan.

4.4 Consideration is being given in Lowland Scotland for delivery of the non-accompanying measures (state-aided) mentioned earlier to involve the Programme Executives for the Structural Funds activities, and for the establishment of regional committees (covering the East, West and South of Scotland) to assess projects, and to bring a regional perspective to the management of the schemes. Again, it is likely that these committees will involve representatives from regional organisations who are also involved in the management of Objective 2 Programmes, thus bringing about a degree of integration and consistency. There will also be liaison between the Scottish Executive Development Department and the Scottish Executive Environment and Rural Affairs Department on the interpretation of EU legislation, state aids guidelines, and other management and operational issues.

CHAPTER 5: DESCRIPTION OF CURRENT SITUATION

5.1 Rural Scotland¹ is a significant area accounting for 89% of the Scottish landmass; 29% of the Scottish population and 27% of employment. It is also a diverse area – economically, socially and geographically – with considerable variations in well being; proximity to service centres; and in terms of population loss or growth. This chapter provides an overview of the economic, social and environmental context within which the Rural Development Regulation will operate. In line with the Rural Development Regulation's Implementation Regulation specific focus is given to the agriculture, forestry and environmental sectors.

GEOGRAPHY

Scotland

5.2 Scotland is a country of some 30,414 square miles (78,772 square kilometres) including some 609 square miles of fresh water lochs and has a population of 5.1m. Forming the northern part of Great Britain, Scotland is bounded west and north by the Atlantic Ocean and on the east by the North Sea, while in the south the border with England runs 60 miles roughly along the lines of the Cheviot Hills.

5.3 Scotland has some 790 islands ranging from large rocks to land several hundred square miles in area. Of these, the largest and best known are the groups of Shetland and Orkney in the north-east; Lewis, Harris, Skye, Mull and Islay in the Hebrides – the string of islands which lies off the west coast of Scotland – and the islands of Bute and Arran in the Firth of Clyde. About 130 of the Scottish islands are inhabited.

5.4 The comparatively modest dimensions of mainland Scotland are revealed in the fact that the greatest distance from north to south is only 275 miles (440 kilometres). However, so rugged and indented is the coastline of Scotland that its aggregate length is estimated at 2,300 miles (3,680km). Yet few parts of the country are more than 40 miles (64 kilometres) from salt water. By British standards, Scotland is a mountainous country, having the highest peak in the United Kingdom (Ben Nevis 4,406 feet or 1,356 metres) as well as five other mountains of more than 4,000 feet. Such heights are, of course, modest by European standards but the Scottish mountains have a beauty and colour rarely matched elsewhere.

5.5 Despite its northern latitudes, the climate in Scotland is remarkably temperate; one of the main reasons being that it lies alongside the warming Gulf Stream from the South Atlantic. The average rainfall in Scotland ranges from 22 inches (560mm) to 40 inches (1,015mm) a year. There are marked variations within the country, the west, particularly the West Highlands, tending to have higher rainfall than the east.

¹ There is no single definition of rural Scotland and the approach used will often depend on the issue to hand. To enable the most detailed analysis of current conditions in rural Scotland this section profiles current socio-economic conditions using a rural definition based on unitary authorities with a population density of less than 1 person per hectare. This is consistent with the definition used for the 1995 Rural Scotland White paper. The unitary authorities identified as rural on this basis are: Aberdeenshire; Angus; Argyll & Bute; Dumfries & Galloway; East Ayrshire; Highland; Moray; Orkney Islands; Perth & Kinross; Scottish Borders; Shetland Islands; South Ayrshire; Stirling; Western Isles. All rural areas of Scotland will be eligible for support from RDR measures.

Rural Scotland

5.6 The unitary authority definition of rural Scotland (map 2) represents 7 million hectares – 89% of the Scottish landmass. Much of this area is remote and peripheral. This definition is chosen for its simplicity and coherence with the way in which key socio-economic statistics are utilised. However, other definitions of ‘rural’ are in use, and Map 2 shows a broader definition of rural Scotland adopted by the Scottish National Rural Partnership. (All rural areas of Scotland will be eligible for support from RDR measures). Map 3 shows that significant parts of rural Scotland are outwith one hour’s drive of a major service centre. This can lead to economic and social problems due to the distance from major shopping and employment centres as well as problems for rural businesses in terms of accessing markets and securing low cost inputs. It also contributes to the generally higher prices that exist within rural areas.

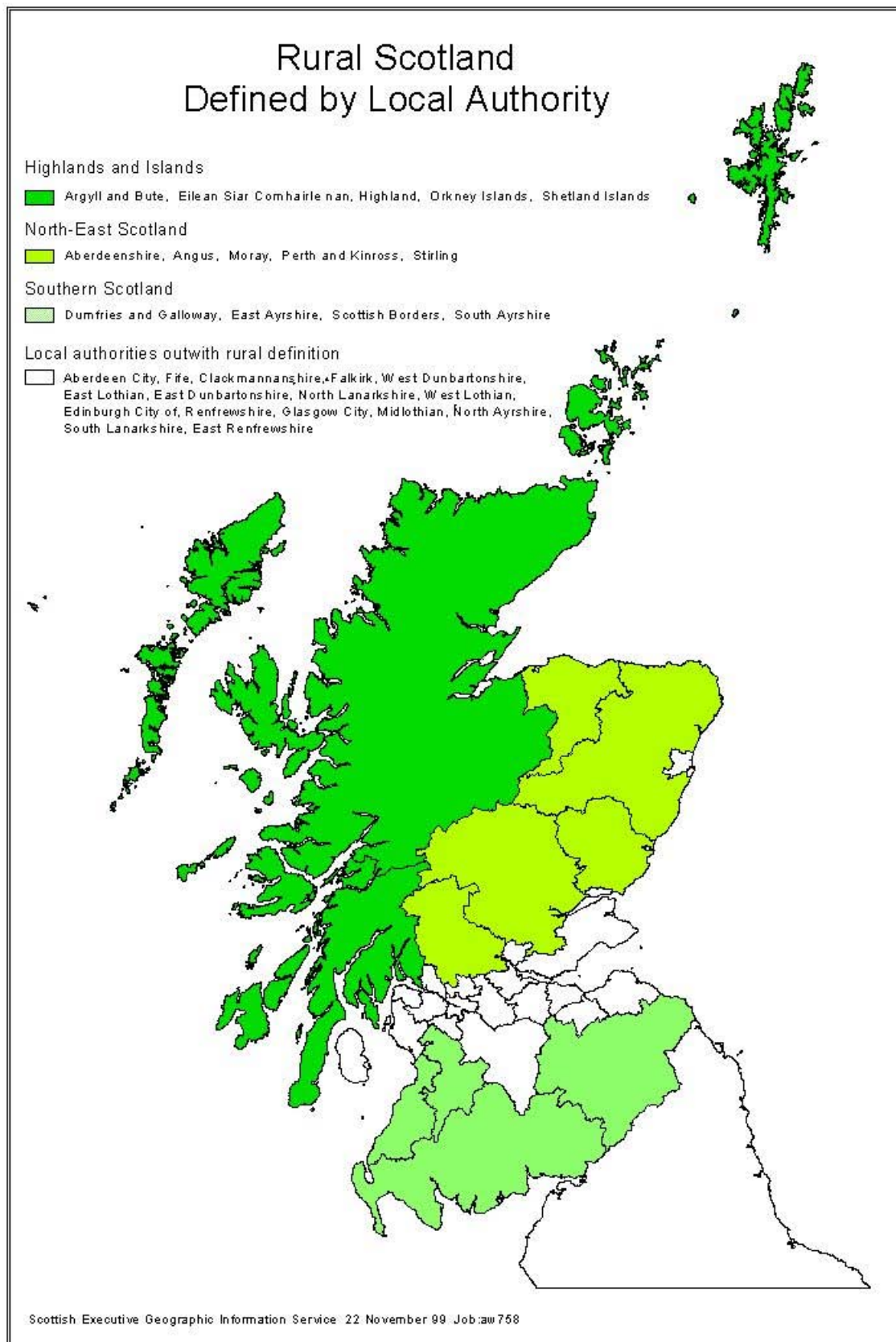
5.7 Some 79% (6.1 million hectares) of Scotland is given over to agriculture and 16% (1.2m hectares) to forestry. Once common grazing land is excluded 84% of the agricultural land is classified Less Favoured Area and 98% of that is classified as Seriously Disadvantaged. These classifications (set according to EC Directive) reflect the poor quality of land (in terms of factors such as soil quality, climate and peripherality) within Scotland. This can place significant limitations on the type of farm enterprises that can be undertaken. However, whilst of poor quality in respect of agricultural production, much of this land has high value in terms of environmental quality and biodiversity.

DEMOGRAPHICS

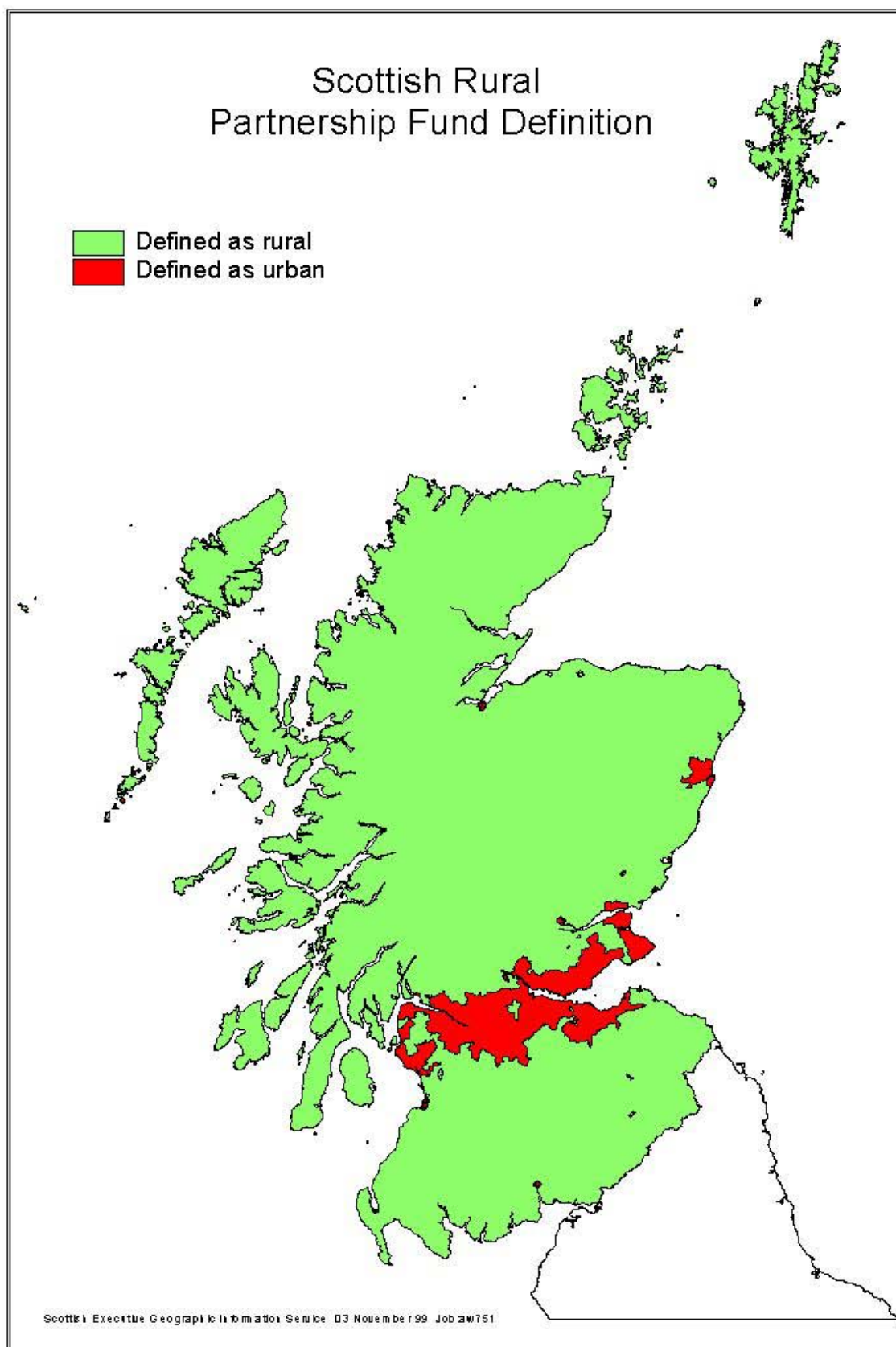
5.8 Despite accounting for 89% of the Scottish landmass only a third of the Scottish population are resident in rural Scotland. Table 1 shows the key population statistics for rural Scotland.

5.9 As a country Scotland has a sparse population – especially within the European context. Average EU population density is 1.1 people per hectare, almost double the Scottish average of 0.65, 5 times the rural Scotland average and over 10 times the Highlands and Islands average. This sparsity is even greater in some remote communities. Whilst population sparsity is an intrinsic characteristic of the rural environment, enhancing the appeal to urban dwellers and for some environmental objectives, it can lead to problems for rural communities in terms of accessing services. Many providers – especially those dealing with major infrastructure, eg railways and health authorities – will require a substantial critical mass of demand before it is cost effective for them to provide services. As such rural communities can often be quite isolated from access to mainstream services.

MAP 2



MAP 3



[illegible]

TABLE 1: RURAL SCOTLAND POPULATION

Unitary Authority	1999 Population	Population density	Population change (%) 1991-99
Highland	208,600	0.08	2.2
Western Isles	27,560	0.09	-6.3
Argyll & Bute	89,730	0.13	-3.9
Shetland	22,740	0.16	0.9
Orkney	19,600	0.20	0.2
Highlands and Islands	368,230	0.09	-0.3
Scottish Borders	106,400	0.22	2.2
Dumfries & Galloway	146,800	0.23	-0.3
Perth & Kinross	134,030	0.25	5.0
Aberdeenshire	212,650	0.34	4.5
Stirling	84,700	0.39	4.0
Moray	85,210	0.38	1.2
Angus	109,840	0.50	1.3
S Ayrshire	114,250	0.95	0.6
E Ayrshire	120,940	0.97	-2.4
Lowland Scotland	1,129,610	0.35	1.9
RURAL SCOTLAND	1,497,840	0.21	1.4
SCOTLAND	5,119,200	0.65	0.2

Source: General Register Office for Scotland

5.10 Table 1 also shows that there have been some variations across rural Scotland in terms of population change. Between 1991 and 1999 the level of total Scottish population was stable whilst the rural Scotland population grew by just over 1%. This growth is probably due to factors such as increased commuting from rural residency to urban employment. Part of this may be due to improved transport facilities. It has also been helped by improved communications, which has often made working from home easier. As such the growth in rural population has largely been concentrated in those parts of rural Scotland – eg Aberdeenshire – close to major population centres. Recent research² suggests that this trend is likely to continue.

5.11 Despite the image of dormitory or ageing rural communities this study also showed that much (36%) of the population growth is coming from young people (ie 16-29) and that most of the growing population live and work in the area. Only a small proportion (8%) of migrants were shown to commute outside rural areas for work and only 8% of migrants were aged at, or over, retirement age. This kind of population growth is beneficial to the rural community as their uptake of local services and social activities has been shown to have a significant multiplier effect for job creation. These population changes contribute to the dynamism of rural communities and their ongoing adjustment.

² The Impact of Migration in Rural Scotland. The Scottish Office Central Research Unit: Rural Development Research Findings No 4 (1999).

5.12 In contrast the more remote rural areas – eg the Western Isles and Argyll & Bute – have seen population losses over the period. Much of this is the result of underlying economic problems that cause young people to leave rural areas in search of employment.

THE RURAL ECONOMY

Employment

5.13 Traditionally agriculture has been the cornerstone of the rural economy. However, with changes influencing agriculture in particular – eg increased productivity – and rural economies in general – eg general population growth, increased ability to work outside the ‘office’ through telecommuting – its relative significance has reduced.

5.14 In 1997 there were 556,000 people employed in rural Scotland³. This represents 27% of total Scottish employment. Despite a 1% fall in total Scottish employment between 1991 and 1997 total rural Scotland employment was stable.

5.15 However, whilst total rural employment has been stable there have been substantial changes within its overall structure. Agriculture has been in a long-term employment decline (largely due to productivity improvements) and other sectors – especially services supporting the increasing rural population – have started to grow in significance. In recent years however, while the number of hired workers has continued to decline total numbers of persons engaged in agriculture (full and part time) has stabilised.

5.16 Between 1991 and 1997 the major employment changes were in:

Employment growth - health and social work (+ 6,500 employees, 10%); retail trade (+4,700 employees, 9%); membership organisations⁴ (+2,400, 493%); computing (+2,200 employees, 493%); whole sale trade (+1,700, 10%); manufacture of rubber and plastic goods (1,700 employees, 63%); real estate activities (+1,200, 35%).

Employment decline - hotels and restaurants (-5,700 employees, -12%); construction (-4,400, 13%); manufacture of textiles (-2,800, -21%); public administration (-2,200, -6%); manufacture of other transport equipment (-2,000, -31%); postal and telecommunication (-1,700, 23%); manufacture of food and drink (-1,600, 7%).

5.17 Taking these changes into account Table 2 illustrates the broad industry composition across rural Scotland. It shows that in general rural employment is not significantly different from the national picture. The main difference is the higher level of employment in the primary sector – at 12%, 3 times higher than the Scottish average. Within the headline rural figure there are also some variations across rural Scotland.

³ 1997 is the latest year for which comprehensive employment data is currently available. This data is derived from the Annual Employment Survey identifies employees in employment and excludes the self-employed. Agricultural employment data – which can also identify the self-employed – is available for 1998 and is derived from the SEERAD Annual June Agricultural Census.

⁴ Membership organisations are defined here as business and employer; professional; political and religious organisations and trade unions.

TABLE 2 – RURAL EMPLOYMENT – 1991 -97

HIGHLANDS AND ISLANDS	1991	1993	1995	1996	1997 Change 1991-97
Agriculture and Fishing	22,000	22,000	24,000	26,000	26,000 15%
Energy and Water	2,000	1,000	1,000	1,000	1,000 -53%
Manufacturing	17,000	12,000	13,000	13,000	12,000 -26%
Construction	10,000	9,000	9,000	9,000	9,000 -8%
Distribution, Hotels and Restaurants	36,000	36,000	34,000	36,000	36,000 1%
Transport and Communications	9,000	8,000	8,000	8,000	8,000 -11%
Banking, Finance and Insurance, etc	14,000	11,000	15,000	15,000	13,000 -9%
Public Administration, Education and Health	43,000	43,000	42,000	43,000	43,000 1%
Other Services	5,000	5,000	6,000	5,000	6,000 10%
Total	157,000	149,000	154,000	156,000	154,000 -1%
LOWLAND SCOTLAND	1991	1993	1995	1996	1997 Change 1991-97
Agriculture and Fishing	39,000	39,000	39,000	41,000	40,000 2%
Energy and Water	2,000	2,000	3,000	3,000	4,000 71%
Manufacturing	75,000	70,000	71,000	70,000	72,000 -4%
Construction	25,000	23,000	24,000	26,000	22,000 -15%
Distribution, Hotels and Restaurants	96,000	93,000	93,000	94,000	95,000 -1%
Transport and Communications	18,000	18,000	18,000	17,000	15,000 -15%
Banking, Finance and Insurance, etc	33,000	35,000	38,000	36,000	35,000 6%
Public Administration, Education and Health	99,000	102,000	101,000	109,000	103,000 5%
Other Services	14,000	15,000	16,000	18,000	17,000 22%
Total	401,000	396,000	402,000	414,000	402,000 0%
RURAL SCOTLAND	1991	1993	1995	1996	1997 Change 1991-97
Agriculture and Fishing	61,000	62,000	63,000	66,000	65,000 7%
Energy and Water	4,000	4,000	4,000	4,000	4,000 17%
Manufacturing	91,000	82,000	85,000	84,000	84,000 -8%
Construction	35,000	32,000	33,000	35,000	31,000 -13%
Distribution, Hotels and Restaurants	132,000	128,000	128,000	130,000	131,000 -1%
Transport and Communications	27,000	27,000	25,000	24,000	24,000 -14%
Banking, Finance and Insurance, etc	47,000	46,000	53,000	51,000	48,000 2%
Public Administration, Education and Health	141,000	145,000	144,000	152,000	146,000 3%
Other Services	20,000	20,000	22,000	24,000	23,000 18%
Total	558,000	545,000	556,000	570,000	556,000 0%
SCOTLAND	1991	1993	1995	1996	1997 Change 1991-97
Agriculture and Fishing	78,000	79,000	79,000	83,000	81,000 5%
Energy and Water	28,000	22,000	19,000	25,000	25,000 -10%
Manufacturing	373,000	336,000	340,000	333,000	338,000 -9%
Construction	134,000	125,000	127,000	117,000	110,000 -18%
Distribution, Hotels and Restaurants	432,000	432,000	435,000	448,000	445,000 3%
Transport and Communications	118,000	114,000	111,000	106,000	104,000 -12%
Banking, Finance and Insurance, etc	274,000	287,000	307,000	289,000	291,000 6%
Public Administration, Education and Health	537,000	534,000	555,000	570,000	551,000 3%
Other Services	81,000	85,000	85,000	87,000	88,000 9%
Total	2,053,000	2,013,000	2,058,000	2,059,000	2,033,000 -1%

Non agricultural employment relates to employees in employment only and therefore excludes the self employed
Agricultural employment data is taken from the Agricultural Census and includes the self-employed.

5.18 Within the broad industrial groupings the most significant sectors in rural Scotland are:

- health and social work (13% - 72,000);
- retailing (10.6% - 59,000);
- agriculture (10.1%⁵ - 56,000);
- hotels and restaurants (7.4% - 41,000);
- education (6.9% - 38,000);
- public administration and defence (6.1% - 34,000);
- construction (5.5% - 31,000);
- manufacture of food products and beverages (3.9% - 22,000);
- wholesale trade (3.3% - 18,000);
- recreational, cultural and sporting (2.5% - 15,000);
- forestry and wood processing (1.8% - 10,000)

5.19 In many ways these statistics hide the importance of tourism activity. Technically speaking tourism activity is a type of demand rather than an industry of its own. Tourism related employment occurs in a number of sectors utilised by tourists – some of which, eg hotels and restaurants and recreational activities are identified above – and is an important component of the rural economy. Tourists’ attraction to rural areas largely results from the environmental characteristics that the Rural Development Regulation will help to maintain or enhance.

5.20 However, there are considerable variations across rural Scotland. The Highlands and Islands is more dependent on agriculture, forestry and fisheries than other rural areas but less reliant on manufacturing employment whilst Southern Scotland places more emphasis on manufacturing.

Unemployment

5.21 Table 3a illustrates unemployment rates for Scotland, rural Scotland and rural local authority areas. While many rural economies enjoy unemployment rates significantly below the national average other areas encounter rates significantly above the national average—most notably East Ayrshire and the Western Isles. It should also be noted that by the nature of activities undertaken in rural areas, rural unemployment tends to fluctuate during the year taking into account seasonal employment patterns. Overall this can contribute to underemployment in rural areas and the importance of secondary income sources.

5.22 Unemployment can be a more significant problem in rural areas, because of the difficulties that may be encountered in finding alternative employment due to the relatively small size of the local labour market and distance – and often accessibility problems – from job opportunities. This can lead to problems such as long term unemployment.

5.23 Similarly companies wishing to recruit within rural economies may also encounter labour market accessibility problems. The small number of people available within the local labour market may create problems in finding the right sort of employee- eg due to skills

⁵ This percentage describes agriculture’s share of total employees. It is therefore different to the figure showing agriculture’s share of the workforce.

mismatch – and the distance from other, major population centres may restrict their ability to draw in workers from outside the area eg due to accessibility problems or making people aware of the existence of job opportunities.

TABLE 3a: RURAL SCOTLAND UNEMPLOYMENT – 1999 Annual Average

Unitary Authority	Total Numbers Unemployed and Claiming Benefit	Unemployment Rate
Highland	5,293	4.9
Western Isles	1,062	7.0
Argyll & Bute	2,334	5.0
Shetland	332	2.7
Orkney	308	2.8
Highlands and Islands	9,328	5.0
Scottish Borders	1,933	3.7
Dumfries & Galloway	3,843	5.5
Perth & Kinross	2,270	3.2
Aberdeenshire	2,617	2.2
Stirling	1,803	5.0
Moray	1,820	4.4
Angus	2,596	4.4
S Ayrshire	3,145	5.3
E Ayrshire	4,325	7.8
Lowland Scotland	24,352	4.9
RURAL SCOTLAND	33,680	5.0
SCOTLAND	133,796	5.3

5.24 Table 3b shows that rates of unemployment tend to be high for males than females. This information is based on official claimant count statistics and may hide the level of unemployment amongst women who whilst not claiming unemployment benefit – for ineligibility or other reasons – are seeking employment. Whilst the rate of rural male unemployment was below the Scottish average this is not true for rural females whose unemployment rate was in line with the national average.

TABLE 3b : MALE AND FEMALE CLAIMANTS AND UNEMPLOYMENT RATE – 1999 Average

Unitary Authority	Males	Rate	Females	Rate
Highland	3,986	6.7	1,307	2.6
Western Isles	877	10.0	185	2.9
Argyll & Bute	1,752	6.9	582	5.0
Shetland	247	3.7	85	1.6
Orkney	220	3.5	87	1.8
Scottish Borders	1,457	5.3	475	1.9
Highlands and Islands	7,082	7.0	2,246	2.6
Dumfries & Galloway	2,804	7.5	1,039	3.2
Perth & Kinross	1,701	4.5	569	1.7
Aberdeenshire	1,957	3.0	660	1.3
Stirling	1,360	7.2	444	2.5
Moray	1,302	5.6	517	2.9
Angus	1,868	5.9	728	2.6
S Ayrshire	2,365	7.5	780	2.8
E Ayrshire	3,302	11.1	1,024	4.0
Lowland Scotland	18,116	6.9	6,236	2.7
RURAL SCOTLAND	25,199	6.9	8,481	2.7
SCOTLAND	103,108	7.8	30,668	2.6

5.25 Table 3c illustrates by council area the age distribution of the rural unemployed. It shows that on average the age distribution of the unemployment in rural areas is not significantly different from the national level. However, youth unemployment can be a particular problem in rural areas as young people are generally highly mobile and able to leave rural areas in search of employment. This can have significant implications for the long-term sustainability of rural populations.

TABLE 3c : AGE DISTRIBUTION OF THE UNEMPLOYED – 1999 Average

Unitary Authority	18-24	25-49	50 +
Highland	20%	58%	22%
Western Isles	14%	55%	31%
Argyll & Bute	21%	56%	23%
Shetland	24%	56%	20%
Orkney	15%	55%	30%
Highlands and Islands	20%	57%	23%
Scottish Borders	26%	56%	19%
Dumfries & Galloway	23%	55%	22%
Perth & Kinross	21%	56%	23%
Aberdeenshire	25%	55%	20%
Stirling	24%	59%	17%
Moray	21%	56%	21%
Angus	24%	54%	22%
S Ayrshire	25%	55%	20%
E Ayrshire	24%	57%	18%
Lowland Scotland	24%	56%	20%
Rural Scotland	23%	56%	21%
SCOTLAND	24%	58%	18%

5.26 Table 3d shows that in many rural areas – especially those not close to major population centres – unemployment duration is often higher. This can often be due to the relatively small size of the local labour market and the general need to look further afield for new employment. The distance from the wider labour market can make job search more difficult due to problems in identifying exactly where the new employment opportunities are.

TABLE 3d : UNEMPLOYMENT DURATION

Unitary Authority	6 Months +	1 Year +
Highland	40%	24%
Western Isles	40%	25%
Argyll & Bute	21%	23%
Shetland	26%	14%
Orkney	41%	28%
Highlands and Islands	38%	23%
Scottish Borders	30%	14%
Dumfries & Galloway	38%	22%
Perth & Kinross	33%	17%
Aberdeenshire	23%	11%
Stirling	39%	21%
Moray	25%	13%
Angus	38%	22%
S Ayrshire	38%	22%
E Ayrshire	42%	25%
Lowland Scotland	35%	19%
Rural Scotland	35%	20%
SCOTLAND	39%	22%

Average earnings

5.27 Generally average earnings in rural areas are below the Scottish average. One of the problems facing rural communities is that much of employment is in the primary or service sector with relatively low wages. In 1999 the average gross weekly wage of a full-time *manual male* in agricultural, forestry and hunting was £278.90 - 15% below the all industry and services average (£328.6). This compares to £356.20 in Manufacturing; £328.60 in Construction; £308.90 in Public Administration; and, £225.20 in Hotels and Catering.

5.28 Table 4 describes average earnings in rural Scotland. All rural areas are below the Scottish average with Moray and Scottish Borders being more than 10% below. This situation is partly explained by these areas reliance on agricultural employment, lack of value-added activity and lack of alternative industries.

TABLE 4: AVERAGE GROSS WEEKLY EARNINGS OF FULL TIME EMPLOYEES ON ADULT RATES – 1999

Area	Average Earnings	Average earnings as a % of the Scottish Average
Highlands and Islands		
Highland	336	92
Argyll & Bute	353	97
Western Isles	N/A	N/A
Shetland Islands	N/A	N/A
Orkney Islands	N/A	N/A
Lowland Scotland		
Aberdeenshire	343	94
Angus	333	91
Dumfries & Galloway	335	92
East Ayrshire	329	90
Moray	325	89
Perth & Kinross	N/A	N/A
Scottish Borders	316	87
South Ayrshire	387	106
Stirling	333	91
Scotland	365	100
Source: ONS - New Earnings Survey		

GDP

5.29 The low-income levels in rural Scotland and its relative reliance on low value added activities is also reflected by GDP per capita statistics. (The figures in table 5 are at the lowest level of disaggregation currently available. They also include some urban areas such as Dundee and Aberdeen.) The key point emerging is that rural Scotland is generally less prosperous than Scotland as a whole. It also illustrates the considerable diversity of rural Scotland.

TABLE 5: GDP PER CAPITA⁶ - 1996 (provisional)

Area	GDP per capita	UK GDP per capita = 100
Highlands and Islands		
Caithness & Sutherland and Ross & Cromarty	8,157	76
Inverness & Nairn and Moray, Badenoch & Strathspey	8,152	76
Lochaber, Skye & Lochalsh and Argyll & the Islands	7,540	70
Western Isles	8,072	75
Orkney islands	8,949	84
Shetland Islands	12,748	119
Lowland Scotland		
Aberdeen City*, Aberdeenshire and North East Moray	14,453	135
Angus and Dundee City*	10,213	95
Borders	9,422	88
Perth & Kinross and Stirling	10,068	94
Dumfries & Galloway	9,955	93
South Ayrshire	11,286	105
SCOTLAND	10,614	99

* Indicates 'rural' NUTS 3 area contains an urban element.

RURAL FRAGILITY

5.30 Rural Scotland exhibits considerable diversity. Many rural communities are peripheral to service centres, and are characterised by a low and sparse population. Such fragile conditions mean that basic services such as post offices, shops and community centres become difficult to access and are often difficult to maintain. These fragile communities are generally reliant on a narrow employment base (principally agriculture) and any decline in the viability of the primary sector may threaten their sustainability and lead to greater population loss thereby further increasing the fragility of local communities.

⁶ GDP per head is calculated on the basis of GDP on a workplace basis divided by population on a residence basis. As such commuting effects mean that some figures should be treated with caution. For example, in East Lothian and Midlothian there is high level of commuting out of the area for work (around 40% of the population) making the GDP per capita appear lower than its *true* value.

AGRICULTURE

5.31 Agriculture contributes approximately 2% of Scottish GDP (compared to 1% for the UK as a whole). In parts of rural Scotland the contribution to local economies (both direct and indirect) is often substantially higher⁷. It remains a significant part of the rural economy – both in its own right and for the contribution it makes to other sectors through its demand for inputs and as well as its provision of inputs to the wider agri-food industry providing further injections to rural areas. It is also an integral part of the social and environmental infrastructure of rural Scotland and plays a key role in shaping the rural landscape. A key objective of this Plan is to encourage alternative land use activities, which will conserve and protect the environment while sustaining the livelihoods of people who farm and live on the land.

5.32 In summary Scottish agriculture:

- Produced gross output worth £1.9bn (1998);
- Directly employed 70,000 people;

and further employment in related industries;

- Maintained 50,000 agricultural holdings;
- Utilises 6.1m hectares of land (79% of the Scottish landmass)

Structure

5.33 It has already been noted that much of Scotland's agricultural land is of poor quality. The significance of less favoured areas (84% of agricultural land) and the fact that most of this land (98%) is classified as seriously disadvantaged is shown in Map 5. The poor quality of this land means that it is generally only suitable for the grazing of cattle and sheep. This is shown in Map 5.

5.34 The Macaulay Land Use Research Institute has assessed the soils in Scotland on the basis of their Capability for Agriculture. These assessments, which combine the physical features of the soil and the climatic conditions **indicate that only 5.7% of the land surface is suitable for arable cropping with the remainder, largely extensive rough grazings only suitable for grazing livestock**. It is facts such as these that determine that 85% of the country is classified as Less Favoured Areas. Although the best land is predominantly found up the East Coast, there are areas of better land scattered throughout the country and along valley bottoms etc. For this reason classification as LFA or non-LFA has been carried out on a farm by farm basis in Scotland. It is not possible to simply draw lines on the map and arrive at fair and equitable solutions. The LFA line indicates areas within which farms can be classified as LFA but it is only by an on-farm inspection that the decision is actually taken as to whether that farm should be classified LFA or not.

5.35 Agriculture in the LFAs in Scotland is based on grazing livestock. This is the bedrock of our farming. In the hill areas this is based on sheep production, predominantly Scottish Blackface or Cheviot breeds. In the higher hill areas the flocks are all tied to the land with females being home bred so that they learn the tricks of survival etc from their mothers.

⁷ Though for statistical reasons this is difficult to robustly quantify.

5.36 Further down the hill we have the “Upland” areas of the LFA. Here we find farms that have greater ability to produce winter keep and can therefore carry mixed stocking of cattle and sheep. This is the main breeding ground for the suckler cows that produce the quality beef animals for which Scotland is rightly famous. While these are the most productive parts of the LFA, these areas are still relatively poor in comparison to Scotland’s lowground and only capable of livestock rearing farming. Extensive grazing regimes are the norm with the mixture of cattle and sheep providing for considerable biodiversity.

5.37 Farms in these areas carry a mixture of cattle and sheep. The cattle are predominantly suckler cows which produce one calf per year. This will usually be raised for a year or thereabouts before being sold on to a specialist finisher outwith the LFA who takes it on to slaughter stage. A number of producers in those areas specialise in the production of future breeding animals as opposed to calves for finishing. The sheep in those areas are largely based on ewes sold off the high hills after three or four lamb crops. These will be kept for a further season or two and used either to produce cross ewes for sale to lowground farms, or lambs for slaughter, the mix depending on the capabilities of the farm and farmer.

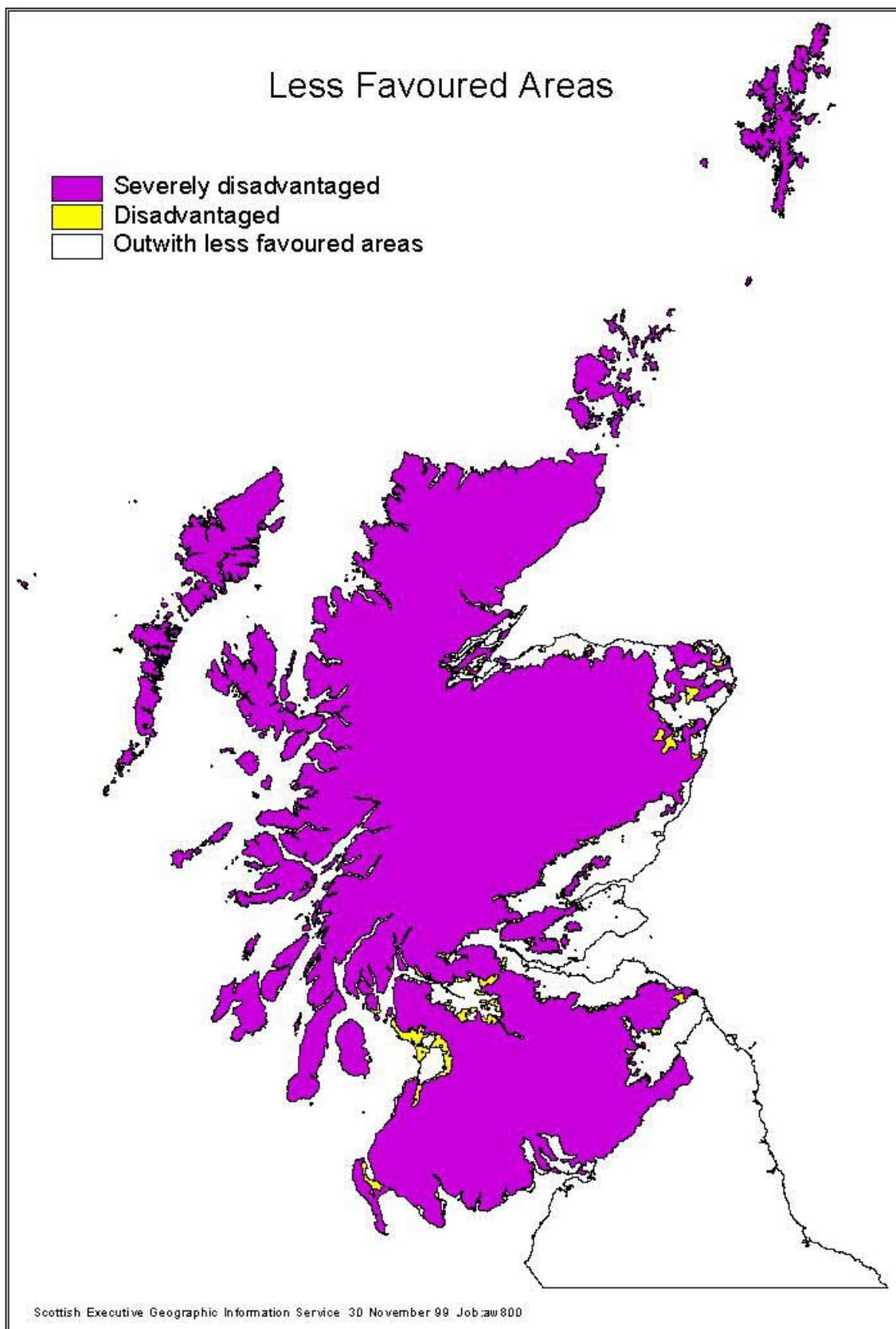
5.38 Although that describes the bulk of the LFA other small areas, particularly on the west side of the country and on the better islands such as Islay and The Orkneys, have some farms which are suitable for dairying as a cattle enterprise. However, the restrictions of climate, soils, accessibility, and exposure limit uses such as this to a relatively small area. There are also pockets of deer farming throughout the LFA and work by Macaulay Land Use Research Institute (MLURI) has shown the potential for keeping goats for cashmere production on many of those types of farms.

5.39 Dairy farming is of significance in Scotland’s LFA but hitherto the Scottish Executive has not supported it under the LFA regime. In principle, the Executive feels that that is still the right approach, particularly taking account of the recent Agenda 2000 settlement for the dairy sector. However, the Executive is persuaded that dairy farms in areas of Scotland where milk quotas are ring-fenced deserve consideration. The quota ring-fence arrangements effectively stop producers from selling quota outwith these areas, reflecting the importance which has long been placed on maintaining relatively small-scale dairy industries in Orkney, Shetland the Southern Isles. Dairying there faces the greatest degree of natural disadvantage due to remoteness from markets, high transport costs and other impediments. The loss of dairying to these ring-fenced areas would have significant consequences for the local economies both at farm level and downstream of the farms. The specialist cheese making operations of Orkney, for example, would be at serious risk.

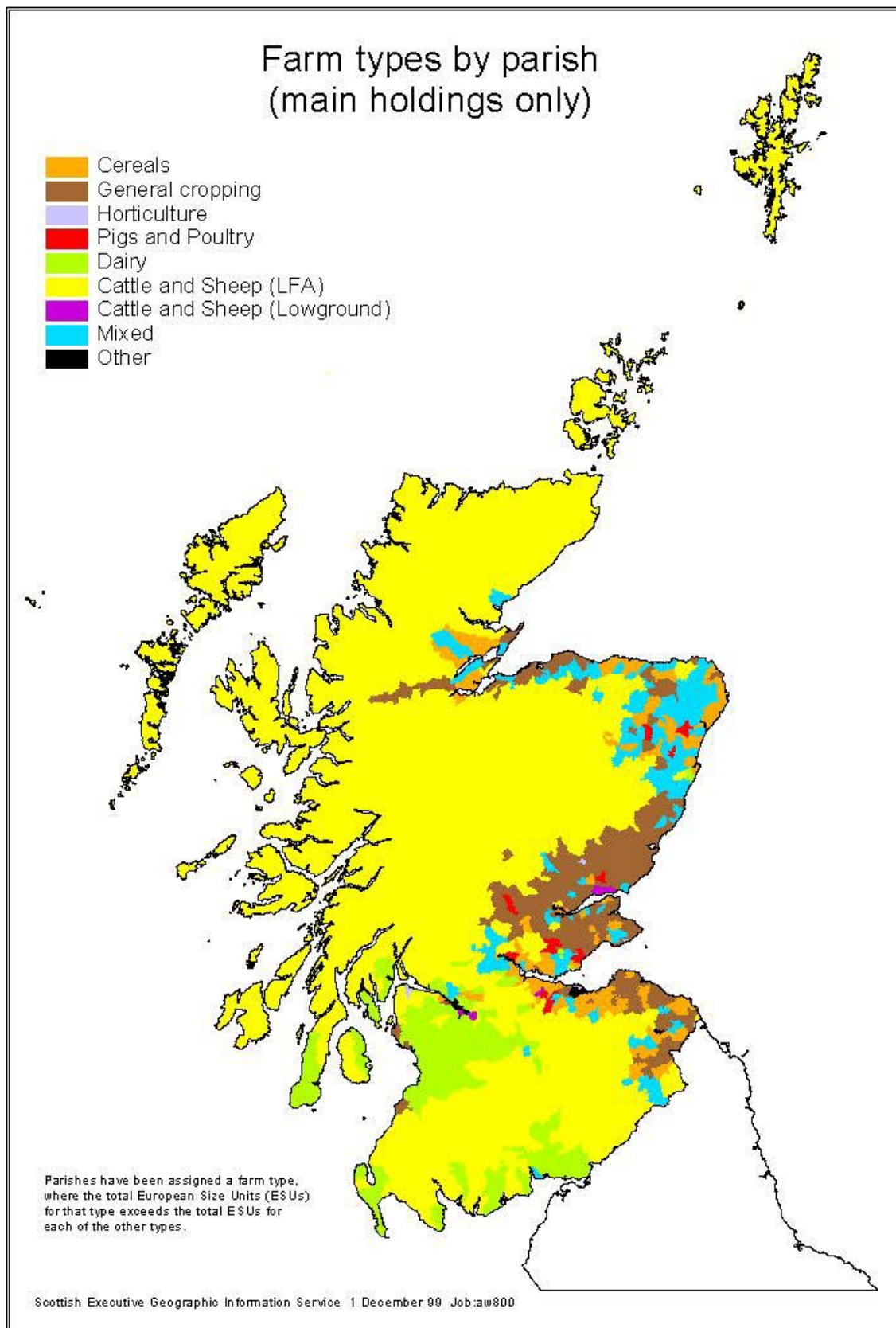
5.40 The 1998 June Agricultural Census shows that there were 49,947 agricultural holdings in Scotland – the bulk (66%) of which are classified as main holdings. The average holding size is 157 hectares but there are considerable variations around this and over a quarter of main holdings are below 10 hectares in size.

5.41 In the current industry climate, Scottish agriculture is undergoing substantial restructuring. The Rural Development Regulation is likely to provide valuable assistance in helping the industry to restructure, exploit productivity and diversification benefits and thus increase the viability of agricultural holdings. The measures set out in this Plan should also help to sustain environmentally friendly farming practices, thus preserving the natural beauty of Scotland’s rural landscape, with spin off benefits to other activities such as tourism.

MAP 5



MAP 6



Agricultural employment

5.42 Agricultural employment has been in long term decline for a number of years – largely as a result of industry restructuring and increased productivity. In 1998 70,100 people were engaged in agriculture in Scotland. This represents 3% of the Scottish workforce. Most of this employment is – unsurprisingly – located in rural Scotland where agriculture accounts for 8% of the rural workforce. Agriculture’s significance is even greater in some parts of rural Scotland – especially within remote communities.

5.43 In line with increased labour market flexibility throughout the economy, agriculture has seen a shift away from full time to part time and casual employment. Indeed, between 1991 and 1998 the number of full time workers fell 12% to 17,300 whilst the number of part time workers increased by 21% to 6,800. These trends have implications for the rural economy as many of those people worked in agriculture will need retraining and alternative employment opportunities. If rural communities are to be sustained then much of these new opportunities will need to be in rural areas.

5.44 Another noticeable trend has been the increase in female involvement in agriculture. Some of this has been spouses to cover for the loss of other staff as farm households have reacted to recent difficulties. A recent report has shown that between 1991 and 1998 the number of spouses involved in full time farming fell from 2,800 to 2,400 whilst the number of part-time spouses grew from 9,300 to 11,400 – a 23% increase. The spouse can play a vital role in allowing farm diversification to occur – either by leading it themselves or freeing up others time to do so.

5.45 In addition to direct employment, agriculture is also responsible for helping to sustain employment in other sectors. Employment in upstream industries – eg agricultural machinery; fertiliser manufacturers and even sectors like financial services – as well as downstream industries like food and drink are often sustained by the existence of the agricultural sector. In addition, to the sector itself, the expenditure of those engaged in agricultural often makes a vital contribution to the continuing sustainability of rural communities. The 1996 Scottish Input Output Tables estimated that for every worker employed in agriculture a further 1.2 workers are employed elsewhere in the Scottish economy. This ratio relates to upstream industries – ie those sectors from which agriculture obtains its inputs. In addition a number of downstream industries are also heavily reliant on Scottish agriculture for their input – whisky and the food manufacturing are prime examples and employ 54,000 people between them. A substantial proportion of this employment is also in rural Scotland.

Land Abandonment

5.46 Agricultural restructuring raises the issue of land use. Land abandonment as seen in other parts of rural Europe is not currently an issue in Scotland. Where farms become no longer viable the land usually remains under agricultural management, often purchased and farmed by neighbouring holdings. In other cases non viable units have been divided with some land remaining in agricultural use and the remainder released for new farm woodland. There is however a longer term risk that land abandonment could increase if farm viability is threatened further. This would have a negative impact in environmental terms in areas where the diversity of habitats is currently maintained by traditional or extensive agricultural practices.

Agricultural Output

5.47 In 1998 the Gross Output of Scottish agriculture was estimated to be (a historically low) £1.9bn. As Table 6 shows the principal source of this output was the livestock sector. Largely as a consequence of the ongoing pressures felt by this sector, in particular restrictions on exports, the value of Scottish agriculture has fallen over recent years. 1998 gross output was 16% lower than its 1996 level.

5.48 This trend in falling value of agriculture output (and hence farm incomes) is likely to continue in the immediately foreseeable future despite an increase in the quantity of output in some sectors (eg sheep). Initial November 1999 forecasts of Total Income from Farming suggests that the economic return to Scottish farming fell £12m to £248m between 1998 and 1999.

TABLE 6 OUTPUT, INPUT AND INCOME, 1994 TO 1998

(£ million)					
OUTPUT	1994	1995	1996	1997 (2nd prov)	1998 (1st prov)
Cereals					
Wheat	98.5	127.7	119.0	98.1	87.7
Barley	203.2	277.1	296.5	225.4	194.6
Oats	17.6	17.4	15.6	14.8	12.6
Triticale	0.6	1.1	0.9	1.3	0.9
1. Total cereals	320.0	423.3	431.9	339.6	295.8
Other crops:					
Potatoes	119.7	229.1	120.7	81.2	117.1
Oilseed Rape	59.6	50.3	52.8	46.5	53.8
Other Farm Crops	4.7	4.2	5.0	5.5	5.9
2. Total other crops	184.0	283.7	178.5	133.2	176.7
Horticulture:					
Vegetables	30.0	35.4	43.3	34.5	38.3
Fruit	11.9	13.3	16.0	18.8	20.4
Flowers & Nursery Stock	32.6	35.0	32.6	33.3	36.3
3. Total Horticulture	74.5	83.7	91.8	86.6	94.9
Livestock:					
Finished Cattle and Calves	508.2	557.6	538.2	490.4	439.7
Finished Sheep and Lambs	244.0	273.7	255.7	245.1	237.4
Finished Pigs	67.7	79.2	94.2	89.9	70.2
Poultry	104.5	106.0	120.1	115.2	90.8
Other Livestock	17.8	19.6	25.3	27.4	19.6
4. Total Finished Livestock	942.3	1036.1	1033.4	968.1	857.7
Livestock:					
Store Cattle	0.6	1.6	1.2	1.2	1.0
Store Calves	37.6	35.1	28.0	27.8	23.5
Store Sheep	15.5	16.5	18.5	17.8	11.3
5. Total Store Livestock	53.7	53.3	47.7	46.8	35.8
Livestock Products:					
Milk and Milk Products	285.7	291.5	300.6	268.4	236.2
Eggs for food	27.1	26.4	28.1	26.9	25.6
Clipwool	9.9	9.9	9.7	7.7	7.4
Other Livestock Products	3.9	3.4	2.9	3.5	4.2
6. Total Livestock Products	326.6	331.2	341.4	306.5	273.5
7. Total Capital Formation	72.7	73.6	60.5	88.7	58.7
8. Total Other Agricultural Activities	51.5	57.5	63.8	67.7	74.8
9. Total Non-Agricultural Activities	61.4	66.4	69.7	73.7	75.4
10. GROSS OUTPUT AT BASIC PRICES	2086.7	2408.9	2318.8	2111.0	1943.3

Challenges for Scotland's Agriculture Industry

5.49 After several good years in the early 1990s Scottish agriculture faced a sharp downturn in its fortunes 1997 and, in particular, 1998 which will be remembered as one of the worst years for Scottish agriculture since the UK joined the, then, EEC⁸. This was due to a number of factors – notably high sterling exchange rates (making imports cheaper and exports more expensive whilst reducing the value of European subsidies paid in Euros); low world commodity prices; the ongoing effects of the beef export ban; and poor weather. Surrounding these events the agriculture sector also faced some uncertainty whilst they awaited the outcome of the Agenda 2000 reform of the CAP. To some extent these uncertainties remain as the European agriculture industry awaits the outcome of the World Trade Organisation talks.

5.50 In the end the CAP reforms were moderate but there remains an increasing need for farmers to gain additional value added from the market rather than from direct subsidies. This need is illustrated by 1998 net farm income figures:

TABLE 7: NET FARM INCOME AND DIRECT SUBSIDIES BY FARM TYPE

Farm Type	1997/98		1998/99 Forecast	
	Net Farm Income (£/farm)	Direct Subsidies (£/farm)	Net Farm Income (£/farm)	Direct Subsidies (£/farm)
LFA Specialist Sheep	7,580	20,406	6,147	27,385
LFA Specialist Beef	7,108	24,501	3,805	25,707
LFA Mixed Cattle and Sheep	7,719	32,020	2,693	36,228
Lowground Cattle and Sheep	-647	16,255	-6572	14,218
Cereals	573	30,870	-5,854	27,977
General Cropping	-42	29,168	8,352	27,021
Dairy	1,4012	8,490	47	8,444
Mixed	-2,556	30,870	-9,542	29,758
All Types	4,615	25,530	416	26,284

Source: SEERAD

5.51 The key point emerging here is that Scottish agriculture is an industry under considerable pressure. Government has helped by providing a number of emergency aid packages but whilst of help in the short term the industry needs to adapt over the longer term to new market conditions and demand. This is especially true for the livestock sector, which provide a significant contribution to the social, economic and environmental wellbeing of Scotland's rural areas.

⁸ In real terms, total income from farming exceeded only the levels experienced in the weather affected years of 1980, 1985 and 1986.

Reactions from the agricultural sector

5.52 In order to adapt to changes in agricultural policy and recent events (and their short, medium and long term consequences) the Scottish farming industry is increasingly focusing on the needs of the markets and identifying opportunities for enhancing value added from alternative source – eg processing some of their agricultural output. Their abilities in this direction are aided by Scotland's international reputation as a quality producer.

5.53 There is increasing recognition that farming is just one part of the wider food chain. Scottish farmers are increasing their attention to what the consumer wants at the end of the chain and how they can help meet that requirement by working with other parts of the food chain to produce what the modern consumer wants. There is also a recognition of the increased value added which farmers can obtain by producing something extra, and which is valued by those willing to pay for it. This recognition is evidenced by a wide range of developments, including the farming industry's involvement in the development of the new Scottish Food Industry Strategy and their lead in the Food Chain Working Group set up by The (then) Scottish Office to enhance the level of communication between the various elements of the food chain.

5.54 In addition to this increasing market orientation of the farming industry individual farmers are exploiting opportunities to reduce costs, improve quality and earn additional income by undertaking non-farming activity. It is clear that there has been an increased interest by farmers (and their households) in diversifying into activities such as tourism and food processing. Such diversification is based on building upon farmers' own skills, knowledge and the rural environment to generate additional income. In addition there has been an increase in the tendency of members of farming households to find additional employment off farm.

5.55 In exploiting these market opportunities farmers often need some form of assistance – eg in meeting set up costs or obtaining appropriate training. The demand for diversification is likely to increase. A recent survey by the Scottish Agricultural College found that amongst those farmers surveyed 33% were already obtaining over 25% of their income from non-agricultural sources and a further 30% were considering diversification.

FORESTRY

5.56 This section provides summary information about the forest resource in Scotland, and its contribution to the economy; environmental conservation and improvement; and rural communities.

Forestry in Scotland

5.57 The Scottish Executive is committed to the principle of sustainable forest management that will provide a wide range of benefits including economic, environmental and social benefits. The UK Forestry Standard (1998) (see chapter 6) is a key document for the sustainable management of forests within Scotland that sets out the criteria and standards for all forest management practice.

5.58 Scotland remains one of the least forested areas in Europe and there are considerable opportunities to expand forest cover on former agricultural land. This will bring economic

benefits, helping to provide sustainable sources of wood for the processing industry in the middle part of the next century, environmental benefits (particularly through programmes of expanding the native woodland resource) and social benefits through provision of employment and development of woodland recreation opportunities. In addition, there are some major challenges in relation to forest management, including “restructuring” of first-generation plantation forests to enhance their environmental value and implementation of effective management of red deer populations (which, for example, constitute a significant threat to native woodland regeneration).

5.59 Indicative Forestry Strategies, prepared by local authorities in consultation with the Forestry Commission, help ensure that forestry expansion takes place in a way that is sensitive to the needs of the environment and of local communities, aiming to achieve an acceptable balance between forestry and other land uses. The nature of forestry expansion varies significantly from place to place with well-designed productive forests being encouraged on better quality land (where agriculture is the main former land use) and native woodland creation being encouraged particularly on areas adjacent to existing native woodlands. Forestry expansion must also recognise the need to protect important hill sheep land in specific areas as well as maintaining in certain cases the future economic viability of fragile local agricultural communities.

The Forest Resource

5.60 Woodland cover in Scotland has risen steadily over the last 70 years. There are now over 1.2 million hectares of forest and woodland in Scotland, representing approximately 16% of the total land area (this compares with 10% forest cover in the UK as a whole).

5.61 Levels of new planting since 1970 are shown in Table 8 below.

TABLE 8: NEW PLANTING AND RESTOCKING ('000 Hectares Per Year Average)

Year	New Planting			Restocking		
	Conifer	Broadleaved	Total	Conifer	Broadleaved	Total
1970-79	25.4	0.1	25.5	2.7	0.1	2.8
1980-89	20.1	0.7	20.8	3.9	0.4	4.3
1990-99	7.8	4.3	12.1	5.4	1.5	6.9

Notes: (1) Figures refer to planting by Forestry Commission and private sector.

(2) Restocking means replanting areas of forest after clear felling: this is normally obligatory. As felling programmes rise, so will the area of restocking.

5.62 The Woodland Grant Scheme (which replaced earlier support schemes in 1988) has encouraged the growth in the planting of broad-leaved species. Currently, over 60% of forestry expansion in Scotland consist of broad-leaved species such as oak, ash, birch, willow, or native Caledonian pinewood.

Wood production

5.63 Approximately half of all wood production in Great Britain originates in Scotland and the vast majority of this output (over 95%) is softwood, from conifer species. Over the last 15 years, as forests have matured, softwood timber production has doubled, and is set to double again over the next 15 years. The softwood processing industry has responded by investing

on average £100 million per year in state-of-the-art equipment in sawmilling, wood based panel and paper manufacturing.

5.64 Softwood availability in Scotland is forecast to rise from its present level of 4 million cubic metres per year to 8 million cubic metres per year by 2012. This is because of the age structure of Scotland's forests. **However, the longer-term trend indicates that softwood availability will fall to** around 6 million m³ by the period 2042-46. Action is therefore needed to maintain availability and support the future viability of the processing sector.

Wood processing and employment

5.65 Overall, about 80% of wood grown in Scotland is processed in Scotland by either sawmills, board or pulp/paper mills. There are over 100 sawmills in Scotland consuming approximately 1.4 million m³ of softwood per annum. The 10 largest sawmills in Scotland consume over 60% of this whereas over 80 are small scale (they process less than 15,000 m³ per year). Moreover, only the smaller sawmills and small mobile sawmills process hardwoods. Wood chips and sawdust produced by sawmills is sold for wood panel and pulp/paper manufacture. In addition, landfill tax has led to much more recycling of (eg) pallets, which are converted to wood chips for further processing.

5.66 Timber prices are at present at an historic low point in real terms. This is a result of a number of coinciding factors: the strength of the pound; the impact of recycling which is providing a new, but finite, source of fibre for mills; the impact of cheap imports from the Baltic States, where costs of production is low; and the consequential effects on world markets due the downturn in the Asian economy.

5.67 The most recent survey of forest employment in Scotland shows that just around 7000 jobs are directly provided by forestry in Scotland, and there are a further 3000 jobs in the wood processing industry (Table 9). However, not all this employment will be in rural areas as an important part of the forestry workforce is contract labour who move from site to site.

5.68 In 1999, a study by the Macaulay Institute showed that forestry contributed around £800 million per year to the Scottish economy. This study took account of activities within forests and wood processing, together with "multiplier" effects. It did not, however, attempt to place any value on the contribution that woods and forests make to other sectors of the economy (for example through providing attractions for tourists); nor did it attempt to place a value on their non-market benefits.

TABLE 9: EMPLOYMENT IN FORESTRY AND PRIMARY WOOD PROCESSING (1994)

(Full-time equivalent numbers)

By Sector

	Direct	Contract	Total
Forestry Commission	1,935	875	2,810
Private Estates	1,145	980	2,125
Forest Management Companies	340	710	1,050
Timber Harvesting Companies	325	1,320	1,645
Wood Processing Industries	3,030	0	3,030
Total	6,775	3,885	10,660

By activity

	Direct	Contract	Total
Forest Nurseries	190	10	200
Establishment	335	385	720
Maintenance	475	320	795
Harvesting/Extraction	620	2,595	3,215
Road Construction	165	90	255
Other Forest Activity	260	100	360
Forest Total	2045	3,500	5,545
Haulage of Timber	110	335	445
Processing	3,290	5	3,290
Other Non-forest Activity	1,330	45	1,380
Non-Forest Total	4,730	385	5,115
Total	6,775	3,885	10,660

Note: All figures are from Forest Employment Survey 1993-94.

Short and medium term challenges for forestry and wood processing

5.69 As a whole, the UK imports over 80% of its wood products (at a net cost of over £5 billion per year). Timber product prices are determined on world markets, which means that the Scottish wood-processing industry must be internationally competitive.

5.70 In 1998, a study by international consultants (Jaakko Poyry) identified the doubling in softwood production over the next 15 years as offering a major uncommitted resource in international terms, but the study also stressed the importance of cost-competitiveness in international terms. Priorities that have been identified for attention include timber transport (which represents a very significant part of the cost of raw material for wood processing); industry costs; and improvements in technology and training.

5.71 In some parts of Scotland timber transport is a matter of considerable concern. Problems arise when timber lorries use rural roads and bridges that were not designed to withstand this sort of traffic. Forest owners are encouraged to continue working with local authorities, using preferred routes and private forest roads wherever possible. Sea and rail options are also being explored where this is practicable.

5.72 Major new capital investments in wood processing will only be made if there is security of raw material supply. Over the next 15 years the proportion of wood coming from privately owned forests will increase from circa 40% to 60%. The Jaakko Poyry report recommended **further development of private sector market development groups** able to offer the necessary supply contracts. **More accurate surveys of the timber quality potential** of forests due for felling in the coming years are required to help the wood processing industry plan future investments.

5.73 For the potential value of increased wood production to be realised, it is **essential to capture new markets**. The key area for growth is the construction timber market. At present UK sawmills supply about 20% of this market. In addition to this there are opportunities to increase the overall size of the market, by encouraging more use of timber – as opposed to other building materials – in construction.

5.73 **Product innovation** is also important. The technology of engineered wood products provides a way of meeting the construction industry's need for building materials whose properties can be accurately predicted and modelled.

Long-term wood supply forecasts

5.74 **There is concern within the forestry industry about the availability of timber supplies beyond about 2025**. New planting peaked in the 1980s and this is reflected in the production forecast. **It is essential to continue to expand the forest area**, thus at least maintaining the jobs provided in processing and downstream activities, as well as providing opportunities for further employment in tourism and developing/satisfying niche markets.

Niche markets and non-timber sources of income

5.75 **Small scale processing** of timber can provide important local opportunities for employment. At present, there is little processing of hardwood in Scotland. Production of hardwood timber has declined markedly over the last 15 years, due largely to the loss of many large volume traditional markets, such as deep coal mining. Compared with a potential sustainable annual cut of circa 180,000 m³ (or tonnes), production is currently estimated to be only circa 40,000 tonnes/annum, of which just 7,000 tonnes (5,000 tonnes of logs) is processed in Scotland.

5.76 The best quality logs tend to be sold to sawmills in England and continental Europe and the remaining material often finishes up as firewood. There is, however, increasing recognition of the opportunities provided by this material for high quality furniture production, flooring, joinery and craftwork. While the trend in the softwood processing sector is for capital-intensive large-scale internationally competitive mills, barriers to entry in the market place are much lower for small-scale operations. It is this size of operation which, almost exclusively, adds value to hardwoods in Scotland. This sector remains comparatively undeveloped and displays some classic signs of “market failure” eg to poor flows of information and a lack of any co-ordinated marketing. **Its revitalisation could help create new opportunities** for small-scale businesses in rural Scotland.

5.77 Woods and forests can also generate income from **non-timber sources**. The market for some activities, such as game shooting, is well developed. Products such as charcoal, shitake mushrooms and birch sap wine are forest products that can generate income, although

it requires a good deal of work to unlock the value. There may also be new opportunities, for example, in the use of wood for energy.

5.78 There is the possibility that they may become mainstream markets in the future. **It is important that encouragement is given to promising developments.** This will require co-ordinated action amongst the key players such as the Forestry Commission, Scottish Enterprise, Highlands and Islands Enterprise, local authorities and the private sector.

Contribution to other sectors

5.79 The Scottish tourist industry is of course much bigger than the forest and wood products industry. It generates some £2.5 billion per year expenditure. In rural areas, the importance of tourism to the local economy can be very significant. Forestry can make a contribution here in two ways. **First, the provision of forest recreation facilities can provide extra activities for visitors** encouraging them to spend longer in the area. Secondly, along with other features of the scenery, attractive woods and forests can provide part of the visual “product” used by Tourist Boards, guides and brochures to sell Scotland as a tourist destination. At present, it is not possible to put a value on this contribution. Forest recreation facilities are widely appreciated. A total of 22 million visits from Scottish homes to woods and forests were made in 1998.

5.80 **Woods and forests can also create employment as part of the natural heritage.** It is estimated that overall in Scotland there are 8,000 jobs in natural heritage related jobs and expenditure by tourists on field and nature studies contributes £70 million/year to the economy. Of course, these are not all based in woods, but the general point is that these activities can make a significant contribution to local -often-rural - economies.

Conserving and improving the environment

Climate change

5.81 Scotland’s forests are, very small in global terms, but nevertheless it is important to recognise the part that they can play. Some estimates suggest that, on an annual basis, Scotland’s forests absorb circa 10% of the carbon dioxide emissions attributable to Scotland. **Large sequestration gains are likely to come from forests growing high quality timber** (which will be put to long-lived end uses) on long rotations in complex forest ecosystems that are established on soils with low organic content. **The increased use of wood as fuel,** substituting for burning of fossil fuels, is another measure that could assist.

Native Woodlands

5.82 The latest available information suggests there are just over 150,000 hectares of natural origin native woodland remaining in Scotland. This represents only 2% of the land area, or just over 10% of the area of forest and woodland, but is seriously fragmented. There is also a sharp geographical contrast: between the Highlands, with 88% of all natural origin native woodland, and the Lowland Scotland, with only 12% in Lowland Scotland.

TABLE 10: THE DISTRIBUTION OF DIFFERENT TYPES OF NATIVE WOODLAND

Woodland type	Estimated area (‘000 hectares)	% area
Upland birchwoods	64	42
Upland oakwoods	30	20
Native pinewoods	30	20
Upland mixed ashwoods	12	8
Wet woodlands	12	8
Lowland mixed broadleaved woods	3	2

5.83 **Creation of new native woodland is especially valuable if it can be located so as to create links between existing native woodlands.** There are also biodiversity advantages in using natural regeneration wherever possible and in creating new native woodlands on a large scale, preferably as part of a network. The UK Government is committed to implementing Habitat Action Plans and Species Action Plans for key native woodland types and threatened species, such as red squirrels and capercaillie.

Enhancing the biodiversity of other woods and forests

5.84 Ancient semi-natural woodlands must have high conservation priority, but – at the same time – **there is considerable scope to enhance the biodiversity of other woods and forests** through increasing the area of native species and encouraging the development of natural processes within them. **Increased diversity** may reduce the risk of catastrophic loss through pests and diseases, and in some cases wind. At the same time, uncertainty about the future makes it prudent to encourage diversity.

5.85 Improving forest structure and composition is particularly important in upland predominantly coniferous forests, many of which were created over a very short timescale and contain little diversity. This process, known as **“restructuring”** or as the **“transformation of plantation forests”** is a **key element in achieving greater biodiversity** within such forests. If benefits from native species in such forests are to be optimised it is important to plan on a catchment or landscape scale.

5.86 Increasing use of silvicultural systems that encourage or mimic natural ways, such as **“continuous cover forestry”**, **provides an alternative to clear felling.** Many upland forests are managed on comparatively short rotations of 35-45 years. Extending rotation age allows the development of more of an understorey. By changing the physical structure and age class distribution of forests, biodiversity levels can be increased. **Opportunities for this** may, however, be restricted in the uplands because of risk of wind damage in areas of poorly drained soils.

Enhancing the quality of life of all communities

5.87 Woods and forest can provide the setting for a wide range of recreational activities, and can absorb large numbers of people, offering a sense of privacy and remoteness. There are considerable opportunities for woodland recreation. Provision of appropriate facilities represents real costs for owners, but can also provide local employment opportunities and local income generation through meeting the needs of visitors.

5.88 Woodland close to where people live - in towns, cities or villages - has the greatest potential for social benefits. Efforts must be devoted to engaging a wider range of partners to draw in ideas, energies and resources for investment in tree planting and woodland management that provides community benefit.

5.89 There is growing recognition of the need for a more “joined-up” approach to woodland access provision, linking with other forms of access.

5.90 For some communities woods and forests are seen primarily as a place for recreation. Others see them as offering actual or potential employment. There are communities with local forests that want to become more actively involved in their management. This results partly from the trend over the last half century, towards more mechanisation of forest operations and increased costs of labour. These have been highly desirable developments, leading to higher living standards and better quality jobs, but has had a marked impact on forestry employment patterns, with far fewer employees needed, and fewer of these living in or near the woods. Villages that used to have large numbers of people working in local forests may now have very few - or none.

5.91 One desirable approach is to provide the opportunities for people who live in well-forested areas to take up forestry employment using modern, efficient equipment. **This has clear implications in relation to training** (both in technical terms and in business skills). It may also mean enabling timber to be sold in ways which give sufficient continuity of work to permit investment in machinery. This is particularly important with the growing proportion of the mature timber belonging to, and being sold by, private growers.

THE ENVIRONMENT

Designated Areas

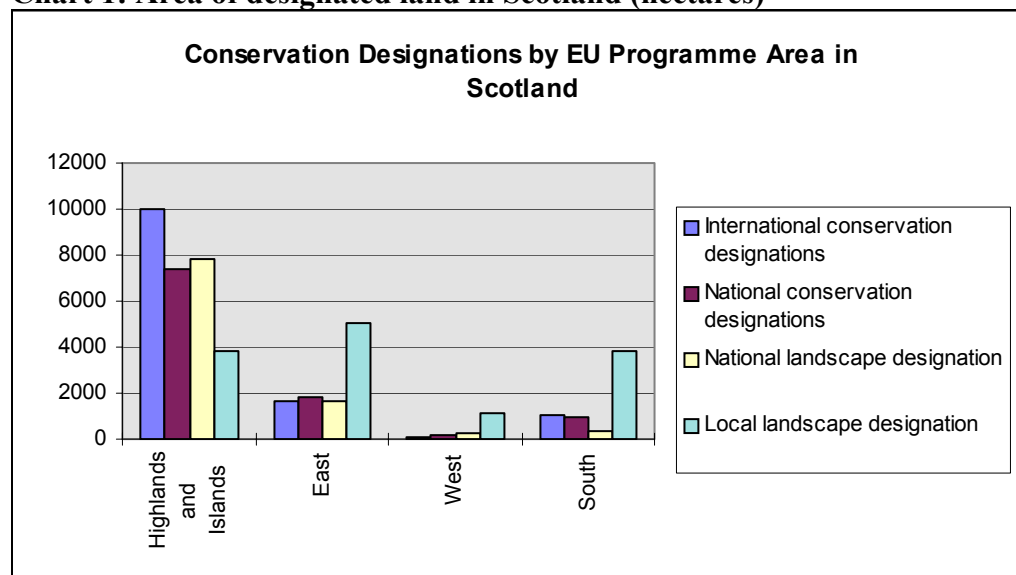
5.92 Much of rural Scotland is recognised to be of high environmental quality and of European and national significance. The number of designated sites for nature conservation and scenic quality demonstrates this: Sites of Special Scientific Interest (SSSIs), Special Protection Areas (SPAs), Special Areas of Conservation (SACs), National Nature Reserves (NNRs) and National Scenic Areas (NSAs). Lists are included at Annex B. A small area in Fife, Balmacoll, is currently designated as a Nitrate Vulnerable Zone, and it is anticipated that the catchment area for the River Ythan will soon be designated.

5.93 The areas of highest environmental quality are often associated with land that is inaccessible for agriculture and forestry, or land that has been managed by more traditional, extensive agricultural practices. The habitats and species associated with these areas are fragile and can be sensitive to small changes in land management, adding to the already difficult conditions faced by landowners in these Less Favoured Areas. In addition, many of Scotland's industries are dependent on the intrinsic high quality of the natural heritage, e.g. tourism and others rely on the natural environment as a marketing tool for quality products.

5.94 Designated areas will continue to be protected and encouragement given to enhance the special qualities of these areas. The continuation of environmentally friendly agricultural management is thought to be essential in order to retain the current levels of farmland biodiversity and to reverse the trends in loss of habitats and species on farms. The long term

future for farming and the threat of abandonment could have a negative impact on those habitats and associated species that require for example, continued low levels of grazing, cutting, burning etc in order to maintain the current biological and scenic diversity. In some cases however, land abandonment that resulted in native woodland regeneration could increase the biological diversity of former agricultural holding.

Chart 1: Area of designated land in Scotland (hectares)



Source: Scottish Natural Heritage

5.95 Sites of Special Scientific Interest (SSSIs): There are 1448 SSSIs in Scotland covering 919,597 hectares, roughly 11% of Scotland's land area. It is the current aim of Government to improve the effectiveness of SSSIs through making them more widely acceptable and engendering a greater commitment to them. It is recognised that wider support will help meet objectives for nature conservation and the sustainable development of rural areas.

5.96 National Nature Reserves (NNRs): There are 71 NNRs across Scotland extending to some 114,277 hectares, all of which are supported or form part of a notified SSSI. These areas represent some of the finest examples of natural heritage throughout Scotland. A review of these areas is currently underway to ensure that each NNR is indeed of national importance with nature conservation as its primary land use. Each reserve will be able to demonstrate best practice management, will allow conditions for study and education and opportunities for the public to visit and enjoy them. As well as being a national resource for nature conservation and a major attraction for visitors, some NNRs offer real potential to link in with small scale rural development opportunities, especially eco-tourism.

5.97 Special Protection Areas (SPAs) and Special Areas of Conservation (SACs): Under the Natura 2000 programme a network of sites of European importance; SACs for habitats and species and SPAs for birds, are being notified. In March 1999, a total of 128 sites in Scotland extending to some 643,484 hectares were under consideration as candidate SACs and 103 sites extending to 372,261 hectares were classified as SPAs. Positive management of these sites through specific schemes or site management works will be encouraged. This work contributes towards targets for biodiversity action within the UK and also helps meet responsibilities under the Ramsar convention. **National Scenic Areas (NSAs):** Scotland's

scenery is a great national asset, the main attraction for visitors and therefore of substantial economic value to rural Scotland.

5.98 There are currently 40 National Scenic Areas in Scotland, covering about 13 % of the land area. The Government is presently considering how the NSA designation can be made more effective, thereby safeguarding the special scenic qualities of these areas. It is recognised that further incentives to influence land management that is sympathetic to the aims of conserving and enhancing NSAs will be required, especially in agriculture and forestry.

5.99 While National Scenic Areas currently represent the best of Scotland's scenic heritage, there is recognition that the designation does not fully represent the complete range of diverse and distinct landscapes. A national programme of landscape character assessment for the whole of Scotland was completed in 1998. This programme identified 3,900 different units of landscape character and these may be further grouped into 360 landscape character types across Scotland. The results of the programme are contained in 29 regional studies, which describe the dominant landscape characteristics, as well as opportunities for conservation, enhancement or restoration of the diversity of landscape character. As it is the quality of local scenery that affects the quality of people's lives, the aim therefore is to raise the standard of care and design throughout Scotland.

5.100 **National Parks:** The Scottish Executive has stated that it will prepare legislation to enable the designation of Loch Lomond and the Trossachs as Scotland's first National Park by 2001 and the Cairngorms soon thereafter. Both areas are of strategic significance and provide opportunities for enjoyment of high quality natural environments. There is great potential for economic benefits to be linked to the environmental strengths of the areas.

5.101 National parks will provide a mechanism for sustainable, integrated management for these nationally important areas, which are highly valued for both their natural and cultural heritage and opportunities for recreation and tourism. Loch Lomond and the Trossachs is already subject to considerable recreational and tourism development pressure. The objective therefore, is to ensure that the environmental qualities are protected in a manner that is also compatible and integrated with the social and economic needs of the rural areas covered by the designation. The same aim will be applied to the Cairngorms.

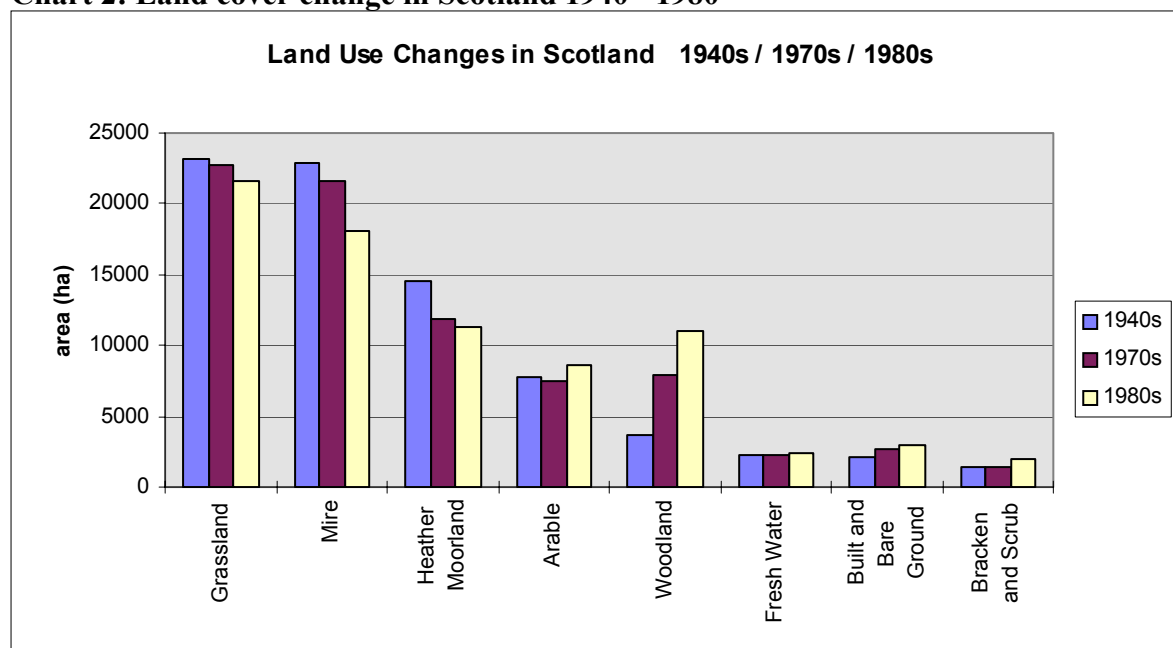
Biodiversity

5.102 The state of the environment is not only measured by the number and quality of designated areas, but also requires an assessment of the biodiversity of land outwith such designations.

5.103 **Local Biodiversity Action Plans** (LBAPs) are under development in all Local Authority Areas, with full coverage expected by early 2000. LBAPs provide a framework for guiding environmental improvement work in the wider countryside so as to arrest some of the decline in biodiversity that has been experienced in recent years. Representatives from land owning and farming groups are involved in these local partnerships and are in the process of highlighting priorities for action, which will in turn inform the range of incentives available locally.

5.104 **Land cover change** over a period of time gives an indication of the changes in habitat types and hence biodiversity across Scotland. Chart 2 shows the broad changes in land cover for Scotland from the late 1940s to the late 1980s for the main habitat groupings.

Chart 2: Land cover change in Scotland 1940 - 1980



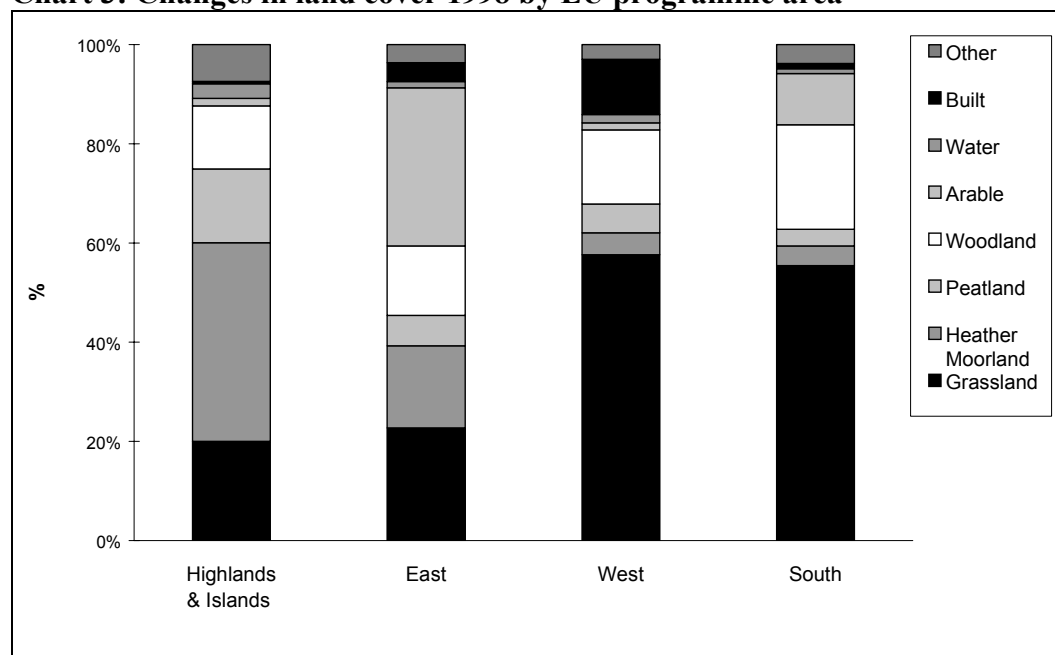
Source: Scottish Natural Heritage: National Countryside Monitoring Scheme 1998

5.105 The main elements of change associated with farmland were;

- an expansion in the arable area by 11%, the increase, which was mainly in the east was at the expense of improved pasture;
- field enlargement and amalgamation caused the overall hedgerow length to be reduced by half from over 40,000 km to under 20,000 km;
- semi-improved grassland increased by 15%, due to a combination of; the improvement of rough grassland, the conversion of heather moorland to grassland and the drainage of peatland;
- rough grassland decreased by around 10% due to afforestation and grassland improvement;
- heather moorland decreased by 23%, mainly from afforestation and net conversion to rough grassland;
- broadleaved and mixed woodland reduced (23% and 37% respectively) through clearance and underplanting by conifers;
- features associated with urbanisation expanded: built land (46%), transport corridor (22%), recreational land (138%) and bare ground (418%).

5.106 Land use changes by programme area illustrates where the main pressures on the environment are occurring across Scotland. An overview graph from NCMS, SNH, 1998; illustrates the changes in land cover by programme area:

Chart 3: Changes in land cover 1998 by EU programme area



Source: Scottish Natural Heritage; National Countryside Monitoring Scheme 1998

5.107 Biodiversity on farmland: Land users are conscious of the conservation value of farmland in providing a variety of habitats. They have an established forum for participating in conservation target setting and advice - the Farming and Wildlife Advisory Group. Also farmers support and participate in the national body, the Scottish Biodiversity Group, and in its agricultural sub-committee. The Plan will contribute to preservation of the landscape value, interest and character of farmland. The objective is therefore to reverse these trends, to preserve the beauty, interest and character of farmland, protect wildlife and natural habitats and encourage opportunities for people to understand and appreciate the countryside in rural areas.

5.108 On lowland arable farms a reduction in biodiversity could result from a simplification of farmed landscapes, field enlargement and hedgerow removal. This has contributed to a reduction in the extent and diversity of wildlife habitats within fields and their margins. There has also been a loss of wildlife rich wetlands and a change to autumn - sown cereal crops and silage rather than winter stubble and hay meadows. Increasing use of agro-chemicals have also been implicated in declines of wildlife.

5.109 For lowland livestock farms the tendency towards grassland improvement is significant. Semi-natural lowland grasslands traditionally managed as hay meadows or pasture are now scarce and fragmented in Scotland probably less than 60 km² in area. Their environmental value lies in their species richness; unimproved grassland may typically contain communities of 100 or more plant species. These grasslands are particularly sensitive to even low levels of inorganic fertiliser. An indication of continuing intensification over the past 20 years in Scotland is that hay production declined by two thirds (from 946,000 tonnes in 1979 to 296,000 tonnes in 1998) while silage production almost doubled (from 3,800,000 tonnes in 1979 to 6,873,000 tonnes in 1998).

5.110 Intensive grassland management has tended to be detrimental to biodiversity. Of the 44 butterfly species which breed on lowland grassland in Britain, half are in steep decline,

with other invertebrate groups showing similar trends. A quarter of lowland farmland bird population nest in woodland and a further fifth in hedges and trees.

5.111 For upland livestock farms the improved grazing potential of the uplands coupled with a marked increase in red deer numbers has had an adverse effect on the composition of plant communities. This is demonstrated by the conversion of heather moorland to rough grassland around 1,500 km² between the 1940s to 1980s and the improvement of rough grassland of around 700 km² over the same period.

5.112 In crofting areas the decline in traditional farming has affected the biodiversity of species rich habitats such as the characteristic machair. Between 1965 and 1976 the area tilled decreased by 70%, between 1970 and 1990 the number of cattle decreased by 6% and the number of sheep increased by 14 %. As the crofting counties support a high proportion of rare or threatened birds, these changes become significant to the overall biodiversity of Scotland.

NATURAL ENVIRONMENT AND THE RURAL ECONOMY

5.112 A quality natural environment helps support sustainable development in rural Scotland. There are over 8,000 jobs in natural heritage related activities alone. In addition to jobs caring for the natural heritage, there is a wealth of jobs based on enjoyment of the natural heritage in the tourism and recreation sectors. For example, expenditure on open-air recreation in Scotland in 1992 was found to amount to £730 million and support around 29,000 jobs.

5.113 The contribution of a high quality natural environment is particularly relevant to the tourism sector, with the Scottish scenery ranking as the highest visitor 'attraction'. This is illustrated in Table 11. Over 13 million tourists took overnight trips and spent nearly £2.7 billion, supporting 8% of all employment (177,000 jobs). A recent study in 1996, found that tourists participating in hiking and walking generate £257 million and support about 9,400 jobs and those participating in field or nature study contribute £70 million and support around 2,600 jobs.

TABLE 11: REASONS FOR TOURIST INTEREST IN SCOTLAND

Likes/Dislikes of Visitors (%)		
<hr/>		
LIKES	Overseas	British
The Scenery	86	69
Friendly people	74	53
Castles, Churches		
and other Hist. sites	73	32
Peace and quiet	48	60
Wildlife	34	36
Accommodation	34	50
Food and Drink	28	45
DISLIKES		
Weather	33	23

Source: Tourism in Scotland 1997, STB June 1998

More specifically, there were 600 wildlife tourism jobs in Scotland in 1997. In addition, there were 380 jobs in businesses offering wildlife viewing as part of their activities and a further

950 on sites offering wildlife viewing. These figures give an indication of the value of the environment to the rural economy.

Contribution to the quality of rural life

5.114 The variety of Scotland's landscapes, habitats and wildlife provide a resource not only on which to base rural employment, but also as valued elements for the quality of life in rural areas. Ensuring that local communities have access to and can enjoy these assets is an important dimension in the sustainable development of rural Scotland.

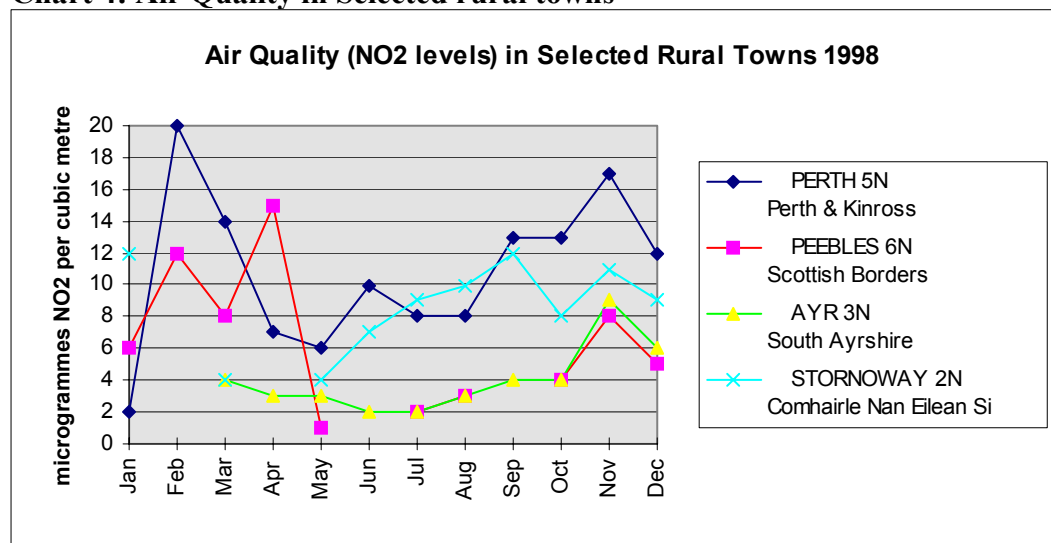
5.115 **Access** to the natural environment close to where people live and work has a number of social benefits, either in encouraging involvement in conservation management thereby creating jobs or by providing a resource for quite informal recreation. A recent survey for Scottish Natural Heritage shows that Scottish adults made 34.6 million walks in the countryside on day trips in 1996 and that one third of adults walk at least once a month. This is estimated to generate £400 million of expenditure. Tourism figures add significantly to this. Encouraging responsible access therefore and improving facilities is a high priority and is implemented through the Paths for All Initiative, national and local access fora, access officers and the commitment of local community groups. Access improvements in rural areas have additional benefits as they expand the provision of facilities for tourists as well as local residents particularly where paths link into wider networks, such as Long Distance Routes. This is consistent with new policy developments such as those outlines in the Land Reform Legislation.

5.116 **Community involvement** in caring for the environment is a key aspect to sustainable development in rural areas. This is being supported through Community Planning and Rural Strategies and the Local Agenda 21 processes, through which Councils work with their local partners and communities to agree their vision and action plans for the long term social, economic and environmental wellbeing of their areas. Specific environmental training will be supported where it is clearly tied to rural employment, as well as the involvement of local communities in environmental activities with the potential to develop into socio-economic businesses.

Air and Water Quality

5.117 Air quality in rural Scottish towns, is generally good. Chart 4 below illustrates air quality in selected rural town in 1998 using nitrogen dioxide measurements (40 micrograms NO₂/m³ is the guideline for unacceptable levels). The main source of NO₂ is from traffic and is understood to be the main source of ambient air pollution in rural as well as urban Scotland. The aim therefore is to reduce the need to travel through the development of local sustainable services and to ensure that new developments take account of environmental impacts and contribute towards a more integrated transport network accessible by all.

Chart 4: Air Quality in Selected rural towns



5.118 **Water Quality** in Scotland's lochs and river systems is another indication of the state of the environment, as illustrated below. In Scotland for both rivers and freshwater lochs, diffuse pollution from agriculture is highlighted as one of the most important causes of poor quality. Many of the sites affected by agricultural pollution are found along the East Coast where rivers drain arable land.

5.119 Diffuse agricultural pollution has increased over the last 50 years as farming methods have intensified. It poses a serious long-term threat to the water quality of rivers, lochs, groundwaters and estuaries. Current projections suggest that unless significant improvements occur in pollution control from farmland, diffuse agricultural pollution will be the most important cause of river pollution by 2010.' Agri-environment schemes, and the promotion and development of codes of good practice will assist in addressing this issue.

TABLE 12: RIVER QUALITY RESULTS 1996 & 1997

Year	Excellent	Good	Fair	Poor	Seriously polluted	Total
	km %	km %	km %	km %	km %	km
1996	37,743 75.1	8,187 16.3	3,006 6.0	1,178 2.3	138 0.3	50,254
1997	37,064 73.8	8,552 17.0	3,336 6.6	1,158 2.3	141 0.3	50,254

Source: SEPA's Improving Scotland's Water Environment, 1999

TABLE 13: LOCH WATER QUALITY CLASSIFICATION RESULTS 1995

Lochs	Excellent / Good	Fair	Poor	Seriously polluted	Total
	%	%	%	%	
Number	143 82.6	27 15.6	2 1.2	1 0.6	173
Area (km ²)	767 87.5	107.4 12.2	1.9 0.2	0.6 0.1	876.9

Source: SEPA's Improving Scotland's Water Environment, 1999

TABLE 14: SUMMARY OF CHANGES IN BIRD DISTRIBUTION IN SCOTLAND (AVERAGE NUMBER OF BIRD SPECIES)

Bird group	Average number of species per 10 km square		
	1968-72	1988-91	Change
i) in all squares			
Farmland	9.9	7.8	-2.1
Upland	11.9	10.8	-1.2
Coastal	4.4	4.2	-0.2
ii) in non-empty squares			
Farmland	10.4	8.2	-2.2
Upland	12.5	11.2	-1.3
Coastal	6.8	6.2	-0.6

Source: Scottish Natural Heritage

Note: non-empty squares are those containing at least one species in the group in the 1968-72 atlas

TABLE 15: CHANGES IN THE DISTRIBUTION OF BREEDING BIRDS

Common name	Latin name	Number of 10 km squares		% change
		1968-72	1988-91	
Barn Owl	<i>Tyto alba</i>	224	137	-39
Corn Bunting	<i>Miliaria calandra</i>	316	84	-73
Corncrake	<i>Crex crex</i>	342	97	-72
Goldfinch	<i>Carduelis carduelis</i>	308	372	21
Greenfinch	<i>Carduelis chloris</i>	652	519	-20
Grey Partridge	<i>Perdix perdix</i>	430	286	-33
Jackdaw	<i>Corvus monedula</i>	631	568	-10
Kestrel	<i>Falco tinnunculus</i>	707	592	-16
Lapwing	<i>Vanellus vanellus</i>	923	793	-14
Linnet	<i>Carduelis cannabina</i>	552	444	-20
Quail	<i>Coturnix coturnix</i>	20	51	155
Reed Bunting	<i>Emberiza schoeniclus</i>	816	557	-32
Rook	<i>Corvus frugilegus</i>	511	448	-12
Skylark	<i>Alauda arvensis</i>	1038	967	-7
Starling	<i>Sturnus vulgaris</i>	974	846	-13
Stock Dove	<i>Columba oenas</i>	249	198	-20
Tree Sparrow	<i>Passer montanus</i>	258	157	-39
Turtle Dove	<i>Streptopelia turtur</i>	7	1	-86
Whitethroat	<i>Sylvia communis</i>	610	431	-29
Woodpigeon	<i>Columba palumbus</i>	779	659	-15
Yellow Wagtail	<i>Motacilla flava</i>	26	17	-35
Yellowhammer	<i>Emberiza citrinella</i>	712	504	-29

Source: Scottish Natural Heritage compiled from 'The atlas of breeding birds in Britain and Ireland', Sharrock, J.T.R (1976) and 'The new atlas of breeding birds in Britain and Ireland 1988 - 1991', Wingfield - Gibbons D., Reid J.B. and Chapman, R.A. (1993)

CHAPTER 5 (Continued)

IMPACTS OF PREVIOUS PROGRAMMES

Structural Funds Programmes: Objective 5b

5.120 Scotland benefited from significant Structural Fund coverage in the 1994-99 programming period. Much of this related to Objective 1 (Highlands and Islands) and Objective 2 (Western and Eastern Scotland) as well as 4 objective 5b programmes (Rural Stirling and Upland Tayside; North and West Grampian; Borders; and Dumfries and Galloway). All these areas remain eligible for Structural Fund assistance – either as Objective 2 or transitional areas – and detailed assessments of their previous performance have been included in the new Single Programming Documents.

5.121 The 5b programmes are the most relevant to the actions that will be taken forward under the Rural Development Regulation. Table 16 shows their expenditure.

TABLE 16 – OBJECTIVE 5b PROGRAMME EXPENDITURE (1994-99)

PROGRAMME	FUND	SPD ALLOCATION (meuros)	PROGRAMME VALUE (£m)	FORECAST COMMITMENT (£m)
Borders	ERDF	24.7	17.1	16.7
	EAGGF	3.8	2.6	2.7
	ESF	6.1	4.2	4.0
North & West Grampian	ERDF	27.0	18.9	18.8
	EAGGF	5.2	3.7	3.7
	ESF	6.1	4.3	4.0
Rural Stirling/ Upland Tayside	ERDF	15.0	10.4	9.9
	EAGGF	4.9	3.3	3.6
	ESF	5.1	3.6	3.5
DUMFRIES & GALLOWAY	ERDF	33.8	23.0	22.4
	EAGGF	6.8	4.8	4.8
	ESF	7.7	5.3	5.2

5.122 Programme achievements are shown in Table 17. These are forecasts of what programmes are expected to achieve rather than achievements to date. Given that the Scottish 5b programmes were not approved by the Commission until 18 months after their intended start date this is far more reflected of the programmes likely achievements than pure monitoring data. Despite the lateness of the start dates the programmes have made up for lost time and have been able to commit close to 100% of their financial allocations.

5.123 Each of the 5b programmes was subject to an interim evaluation in 1997. This was too early in the programme implementation period to be able to say much of substance. However, they were able to identify a number of issues for improvement, which were adopted in later part of the 1994-99 programming period as well as into post 1999 plans. Full ex post evaluations will be conducted around 2001 which will identify programme impact and help further enhance future Structural Fund performance.

TABLE 17 – KEY 5b PROGRAMME IMPACTS

RURAL STIRLING/UPLAND TAYSIDE

Output/Impact	SPD Cumulative Benefit Target 1994-99	Total Project Target Forecasts
New businesses established	180	50.585
Business survival rate (after 3 years)	75%	140
Number of businesses assisted	1,550	4,429
Number of posts created	150	80
Number of jobs created/ safeguarded	900	6,174
Sites provided (hectares)	8.5	
Premises provided (sq. m)	5,500	1,135
Number of attractions upgraded/facilities developed	4	4
Number of new attractions provided	4	2
Number of information and interpretation points/centres developed	10	8
Number of directional improvements	150	8
Number of additional visitors	150,000	950,301
Level of additional spend (£m)	4.5	9.9
Number of promotion activities assisted	20	50.2
Number of companies achieving recognised quality standards	180	
Number of conservational enhancement projects	32	13.5
Number of projects to improve access	30	1
Number of interpretative facilities provided (including publications)	18	238.3
Number of studies undertaken	12	
Land enhanced (hectares)	10,000	6,290
Footpaths created/improved (km)	600	2,342

BORDERS

Output/Impact	SPD Cumulative Benefit Target 1994-99	Total Project Target Forecasts
Creation of new full-time equivalent jobs	390	1,220
Number of business assisted with:		
- business advice/intelligence	480	3,385
- marketing and trade promotion	480	3,217
- financial support	102	820
- research and technological development	72	226
Creation of new full-time equivalent jobs in business infrastructure assisted	390	810
Number of businesses accommodated in improved sites and premises	48	20
Area of floorspace constructed or refurbished (sq. m)	2,400	59,104
Area of land created or renewed for business uses (ha)	12	14.84
Occupancy rates of new business premises provided (1994 est.)	+5%	90
Number of constraints to business development removed through investment in business infrastructure	35	3
Number of visitor attractions and facilities assisted	10	56
Number of grants to approve tourism accommodation	10	25
Number of town centre improvement schemes	4	23
Number of additional TIC visitor enquiries (000s)	427	425
Value of additional visitor expenditure in Borders (£m)		0.278
Overnight	56	0.278
Day	122	0.278
Total	178	0.278
Number of leisure day trips (m)	23.6	300
Number of visitor trips (m)	0.49	0.258
Number of businesses assisted	40	11
Length of forestry roads improved (km)	3	7.1
Number of new full-time equivalent jobs created	30	30
Number of enquiries at Eyemouth TIC	8,000	14
Number of environmental protection, conservation, enhancement and management projects assisted	10	2
Number of visitor attractions and interpretation facilities assisted	6	99
Number of environmental surveys and studies assisted	6	99
Number of grants for conservation (est.)	120	80

NORTH and WEST GRAMPIAN

Output/Impact	SPD Cumulative Benefit Target 1994-99	Total Project Target Forecasts
Number of new businesses	160	146
Business survival rate (after 3 years)	85	80%
Number of bridges strengthened	24	0
Number of businesses assisted	520	418
Number of jobs created/safeguarded	1,263	2,980
Area of premises provided (sq. m)	3,000	7,432 (sq. ft)
Uptake of application of new technology	300	258
Number of export opportunities	250	376
Number of jobs carried out through teleworking	2,000	50
Number of attractions upgraded/created	10	8
Number of major projects significantly raising the profile of the area	1	2
Number of major infrastructure projects supported	4	6
Number of tourism businesses assisted	25	107
Number of direct FTE jobs created by project support and/or safeguarded	640	507.3
Number of visitors to new attractions (000s)	300	1,199,295
Number of additional day trip visitors to the area (000s)	360	390,000
Increase in tourism expenditure in the area (£)	7.2m	10.3m
Diversification study	1	150
Diversification project	240	158
Establish environmental database	1	1
Number of environmental management plans	28	76
Number of farm conservation plans	20	50
Production of a coastal management plan	1	0
The completion of a green tourism and interpretative/visitor management strategy	1	0
Number of new/upgraded footpaths/bridleways/cycleways	20	76.3
Number of demonstration/pilot/research projects in environmentally sustainable management practices	2	2
Number of local renewable resources and recycling initiatives	2	0
Number of management plans to reduce water pollution from agricultural land	40	1
Number of integrated environmental plans through strategic planning	5	0
Number of cases of reduced water pollution from business/industry	4	0
Environmentally improved land (ha)	7,000	175
Number of infrastructure projects	8	3
Number of community development plans compiled	18	17
Number of development projects initiated/implemented	16	7
Number of voluntary groups/projects established	12	9
Number of community premises/equipment provided/upgraded	50	129
Number of cultural initiatives supported	2	8

DUMFRIES AND GALLOWAY

Output/Impact	SPD Cumulative Benefit Target 1994-99	Total Project Target Forecasts
No of jobs created - plan period	2,060	1,737
No of jobs safeguarded – plan period	2,000	9,094
Number of visits by advisory staff to SMEs - plan period	5,700	4,763
No of businesses established - plan period	1,500	386
Firms assisted to introduce technological innovation	360	168
No of existing SMEs assisted	550	2,807
Area of serviced land created - plan period	30	100.43
No of workshop units provided - plan period	24	85
Workshop floorspace provided - plan period	2,100	4,478
No of business/enterprise centres created - plan period	4	1
No of existing/new private sector attractions	12	16
No of existing/new public sector attractions	24	16
No of minor harbours upgraded	3	1
Number of interpretation facilities provided	12	2
Number of tourist information centres upgraded	12	13
Number of conference & business tourism schemes	4	3
Number of marketing & promotion schemes	8	8
Kms of road upgraded (kms)	60	5.25
Kms road opened up or enabling continued use(kms)	75	65
Communities given enhanced access to training	15	16
Number of new training facilities created	15	33
Number of mobile training units provided	1	1
Develop environmental systems	1	1
Projects to promote integrated environmental management	8	28
Farm conservation/land management plans	50	86
New interpretation facilities	20	31
Length of countryside way marked (miles)	200	262.3
No of additional community business created	36	65
No of village renewal/facelift	6	78
No of community appraisals	10	14
Number of existing businesses supported	20	50
No of bridges strengthened - plan period	54	51
Kms of rail infrastructure improved	260	0
Kms of strategic transport network improved	55	251.05
No of improved passenger terminals	3	2
No of SMEs provided with Financial support	50	3
No of new sites serviced	12	4
No of beneficiaries supported	6,000	5,500
Number of beneficiaries receiving training	3,000	4,387
No of SMEs provided training & development opps.	1,500	653
No of community businesses created	36	0
No of new ventures created	400	380
No of SMEs attaining/working towards IIP	50	30

OBJECTIVE 5b - RURAL DIVERSIFICATION PROGRAMME - (RDP)

5.124 The Rural Diversification Programme was jointly funded by the Executive and the EU Structural Funds (EAGGF) under Objective 5b. The Programme operated in the four designated Objective 5b areas of Scotland, namely Borders; Dumfries and Galloway; North and West Grampian and Rural Stirling and Upland Tayside. The main aim of the programme was to provide assistance to those actively engaged in agriculture towards the establishment of new economic enterprises or to support the expansion of an existing diversified activity within the Programme area. Activities eligible for grant assistance included the provision of facilities for tourism, leisure and recreation, on-farm processing, alternative agriculture, residential letting and rural services.

5.125 Decisions on individual project applications were taken by local project assessment committees, which consisted of representatives from the Local Authority, Scottish Natural Heritage, Tourist Board and the Enterprise Company, with chairmanship being provided by the Rural Affairs Department. This arrangement ensured that any project approved under the Programme took into account local strategies, needs and demands and also avoided potential displacement of existing businesses.

5.126 The figures detailed below provide an indication of the uptake and financial impact of the programme.

TABLE 18: RURAL DIVERSIFICATION PROGRAMME UPTAKE

Area	No. of Projects	Gross Project Value(£)	Grant(£)
Dumfries & Galloway	148	7,549,637	2,624,777
Rural Stirling/Upland Tayside	53	2,843,460	1,085,153
North & West Grampian	140	6,919,267	2,684,991
Borders	98	4,147,997	1,467,309

5.127 Analysis of the RDP reveals that a high proportion of the grant assistance offered was for projects in the tourism sector, with self-catering accommodation being the favoured option. The Project Assessment Committees were able to encourage quality projects that demonstrated employment opportunities or had wider spin-offs for the local community. The limiting of projects in certain areas (due to risks of displacement) encouraged many applicants to think beyond the farm-based tourism projects, and consequently a number of highly innovative projects were developed eg a cremator and a light aircraft. During the last few months of the programme new measures were introduced, which expanded further the menu of possibilities, that could be assisted under the RDP. Demand for one of those measures, conversion of redundant buildings for residential letting, became very strong in the final months of the Programme and it is likely that activity under this measure would have continued to grow if further funds had been available.

5.128 The Programme is now closed to further applications but existing projects will continue to provide monitoring information. This will enable us to measure the success of individual projects against the applicant's own projected cash flow for the diversified enterprise. In addition to this, an EU requirement stipulates that a minimum of 5% of all approved projects shall be subject to actual physical inspection. The project team has initiated

a programme of inspections based on risk analysis, with the physical inspection being initiated by a project officer from another 5b area.

5.129 In addition to the Department's monitoring and evaluation processes, the RDP will, of course, will be included in the ex-post evaluations of the wider Objective 5b Programmes. Full budget commitment for the RDP has been achieved, and we are hopeful of achieving a high proportion of projects that will remain viable in the longer term. Successful RDP projects will generate valuable additional income for farming families, at a time at a time when farm incomes are under severe pressure. The capital works assisted under the RDP have also brought economic benefits to other rural businesses eg contractors and suppliers.

LEADER

5.130 The Lowland Scotland LEADER programme is forecast to deliver an additional £20 million in rural development, involving a £7.3 million in EU support and £5.3 million private sector investment. In practise it is expected that this level of expenditure is likely to be exceeded.

5.131 The LEADER Programme as a whole is anticipated to deliver the following 'headline' targets:-

- 960 projects and schemes assisted
- 1360 new jobs created
- 190 new businesses created
- 1500 individuals supported through training activity
- 94 cultural and community events assisted.

The table below indicates the actual performance achieved at 31 March 1999. It shows that good progress is being made across a range of activities, outputs and impacts, with particularly good performance being achieved in the areas of job and business creation.

TABLE 19: LEADER ACHIEVEMENTS – 1995-99

"Headline" indicator	1995-99 target	Achievement to March 1999	% of target achieved
Number of projects and schemes assisted	960	837	87
Number of new jobs created	1360	905	66
Number of new businesses created	190	186	98
Number of individuals supported through training activity	1500	1463	98
Number of cultural and community events assisted	94	115	122

5.132 Given the unique combination of LEADER characteristics and delivery mechanisms it is not surprising that perhaps the greatest benefits of LEADER will result from its qualitative outcomes. Only a small proportion of LEADER projects are truly innovative in the sense that they involve products and/or processes entirely new although Scottish and EU levels. There are, however, many projects regarded as innovative within a regional context. The recent programme evaluation noted that this is neither a surprise nor a disappointment.

5.133 In delivery terms some important lessons can be learnt. LEADER programmes in Lowland Scotland were led by Local Action Groups (LAGs) involving key rural development players. Typically these include the local enterprise company (as chair); local council; voluntary sector; area tourist board; farming organisation; university and the Chamber of Commerce. These LAGs increased the visibility of the EU among the local organisations and people. They also showed the benefits of discretion in membership and structures according to different local contexts.

AGRI-ENVIRONMENT

5.134 The main measures undertaken in the previous programming period were Environmentally Sensitive Areas (ESAs), Organic Aid Scheme (OAS) and Countryside Premium Scheme (CPS).

5.135 There are 10 ESA Schemes, covering some 19% of Scotland's agricultural land. There are currently 2,136 participants in the Schemes (expected to rise to 2,600 by the end of 1999) and the area of land under agreement is 668,000 hectares. The CPS was launched in 1997 and covers all of Scotland's agricultural land outwith ESAs. Including those applications approved in this year's application round, the number of participants is 1,302. The OAS was launched in 1994 to encourage farmers to convert to organic production standards. After a slow start, interest in organic farming has increased markedly. There are currently 205 participants in the scheme and 150 applications in the pipeline. The area under conversion is 106,000 ha.

5.136 Planned expenditure on these schemes for the current year is £18.8m.

5.137 There are currently three studies underway to evaluate the impact of agri-environment schemes:-

- a. A major 10 year study (begun in 1994) into the environmental and ecological impact of ESAs.
- b. An evaluation of the agricultural and socio-economic impact of ESAs and
- c. A study of the impact of the OAS on the environment and on the organic farming sector in Scotland.

5.138 The mid-term report on the ESA study is expected in March 2000. Current indications are that this will show that the Schemes have delivered demonstrable environmental benefits in habitats managed in the interests of conservation as well as changes in fertiliser or spray levels and a brake on other activities such as drainage or reclamation work. The schemes have thus had an environmental protection role by preventing some

changes to land use. An encouraging sign for conservation in the long-term is the fact that the majority of participants indicated a greater interest in conservation since joining the schemes. There is also evidence that ESA impacts on landscape and wildlife had an additional benefit for some local economies through its effect in supporting tourism. The Schemes have also had two important impacts on local economies:

- i. household incomes have been increased and this has implications for off-farm expenditures; and
- ii. conservation-related investment in fencing, dykes etc has produced a demand for upstream inputs and services.

Because the CPS has similar (but tighter) management prescriptions it is anticipated that greater environmental benefits will be identified. The agricultural and socio-economic impacts are likely to be similar in scale (but more widely spread because of the greater coverage of the CPS).

5.139 The study into the agricultural and socio-economic impact of ESAs and of the OAS and the organic farming sector in Scotland are both due to be finalised early in 2000. Preliminary indications from both studies are that participation in the schemes is delivering measurable benefits.

Organic Aid Scheme

5.140 The Organic Aid Scheme was first launched in Scotland in 1994. Uptake in Scotland was relatively low over the first few years although in the last 2 years there has been an encouraging upsurge in interest in organics throughout Scotland. This has been partly due to the introduction of increased rates and increasing the maximum hectareage of land allowed into the OAS per holding from 300 ha to 1,000 ha. Under the Scheme, aid is paid under an agreement lasting 5 years. The farmer undertakes to convert land to organic farming and up until December 1999, to produce in accordance with Regulation (EEC) 2092/91 which establishes Community standards for the production and marketing of organic produce. Aid is not paid after the 5 year agreement is completed.

5.141 Number of approvals by year -

OAS	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Approvals	17	13	11	23	94	276	200*	200*
£	-	£53K	£88K	£146K	£194K	£1200K	£4,500K*	£5.500K*

*indicates Estimates

Organic Aid Scheme (1994 to September 1999)

5.142 The applicant had to submit a plan for the unit to be converted. Conversion could be phased over a period of years, provided all the land which was to be aided is entered into conversion within 5 years. Aid was paid on each parcel of land entered into conversion for a period of 5 years, even though the land may obtain full organic status within 2 years.

5.143 Because the entry of land into conversion could be spread over 5 years, the total period over which the farmer received payments could range from 5 to 9 years. All the land

on the holding which was organic or is converted to organic production would have to remain organic as long as aid is being paid on any part of the holding.

5.144 The maximum number of hectares on any one holding which could attract the aid was 300 ha. The minimum area that can be entered for the scheme was 1 ha.

5.145 The rates of aid (£/hectare) were:-

Year	Arable Land or Improved Grassland	Rough Grazing or Unimproved Grassland
1	£70	£10
2	£70	£10
3	£50	£7
4	£35	£5
5	£25	£5

For the first 5 ha, there was also an additional payment of £30/ha/annum. All payments were made annually in arrears.

Organic Aid Scheme (from October, 1999)

5.146 Following a review of the scheme which was carried out in 1997-98, it was concluded that the structure should be modified to allow payment rates which reflect more closely the nature of the enterprise converting. The categories of land which is now eligible for conversion payments has been increased from 2 to 3. They are as follows:-

- (a) AAPS eligible land;
- (b) Other cropped land and improved grassland; and
- (c) Rough grazing including unimproved grassland.

5.147 These categories embrace the prevalent types of agricultural enterprise in Scotland and thus enable conversion costs to be more accurately assessed at the level of the individual enterprise. The basis of the revised calculations are detailed in Annex I. The revised payment rates which became effective in October 1999 are set out below:

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
AAPS Eligible land	£150	£150	£50	£50	£40	£440
Improved grassland	£120	£120	£50	£50	£30	£370
Rough grazing	£10	£10	£7	£5	£5	£37

5.148 Changes to the limit on payments have also been made. For conversion involving AAPS eligible land or improved grassland or a combination of both, the ceiling will remain at 300 hectares. For an application involving rough grazing land only the limit will be 1,000 hectares. For an application involving a combination of AAPS eligible land, improved

grassland and rough grazing, the 1,000 hectare ceiling will apply but within this total up to 300 hectares of AAPS eligible land or improved grassland, or a combination of these up to a total of 300 hectares, will be acceptable.

5.149 Organic farmers are also able to apply to join other agri-environment schemes but will be subject to double funding checks to ensure that not more than one payment is made towards the same environmental benefit.

Organic Aid Scheme Uptake

The area of land converted or in-conversion was:

	At 31/3/95	At 31/3/96	At 31/3/97	At 31/3/98	At 31/3/99	At 31/3/00
No of participants	16	28	39	57	126	434
Arable/Improved Grassland	654.48	1,070.05	1,661.79	2,832.24	8,422.74	-
Unimproved/Rough Grazing	14,803.35	15,408.38	17,400.43	20,345.54	67,388.30	-
AAPS eligible land	-	-	-	-	-	13,306.02
Improved grassland	-	-	-	-	-	15,643.80
Rough grazing/unimproved grassland	-	-	-	-	-	183,312.72

FARM WOODLAND PREMIUM SCHEME

5.150 Since 1 April 1992 2,470 applications have been approved to plant 38,750 hectares of woodland on agricultural land. Applications approved have comprised 15% arable, 35% compound grassland and 50% unimproved land. The dramatic increase in interest in the FWPS reflects the growing awareness of farmers of the environmental benefits of the scheme and also of an alternative productive land use to agriculture. Research has shown that the scheme has been generally effective in increasing biodiversity, improving landscape character and providing opportunity for timber production. It is encouraging to note that farmers do not make their planting decisions solely on economic factors but also consider the environmental and other benefits.

5.151 An evaluation of the FWPS in 1996 found that the scheme was meeting its objectives. Uptake in Scotland had greatly exceeded expectations with planting over a wide geographical area. The FWPS had attracted a wider range of farmers than its predecessor (the Farm Woodland Scheme) and was associated with site level gains in biodiversity and beneficial landscape impacts. Evaluation of additionality showed that while a proportion (circa 40%) might have been planted without FWPS aid, there would have been significantly less planting on arable and cropping land. Changes were made to the scheme in 1997 with Commission approval to take account of problems that had arisen and payment rates were adjusted to reflect greater differentials in farming incomes on different land types.

WOODLAND GRANT SCHEME

5.152 Comprehensive review of the Woodland Grant Scheme (WGS) was completed in 1994. This review concluded that the basic approach of assisting forestry through WGS remained effective and that the scheme should continue, but should be improved:-

- to encourage woodland owners to increase the productivity and area of their forests where this is economically justified;
- to increase the amenity and environmental benefits from forests;
- to achieve greater value for money from expenditure on WGS payments.

5.153 A number of detailed changes were made to the grant rates. In addition, the review identified ways of improving value for money through increased targeting of grants, and selective use of tendering mechanisms and negotiation.

5.154 Over the subsequent five years there has been a considerable increase in the use of targeting and tendering. Some 30% of grants are now specifically targeted by land type, objective or geographical area. In addition, "Challenge Funds" have been run as tendering mechanisms to achieve greater value for money and now account for 20% of WGS expenditure. Arrangements for negotiation of large proposals (over 300 hectares) have also been recently introduced.

5.155 A Scottish Forestry Strategy is currently under preparation and it is anticipated that, in the light of this, there will be further targeting of grant assistance under the Woodland Grant Scheme.

5.156 The main impacts of funding have been in the planting of new woodlands and assisting in the management of existing woodlands. Over the last 6 years Scotland's forest resource has become increasingly diverse through the restructuring of existing forests, the use of open space and establishing more native and broadleaved trees. Since 1994 there has been 64,878 hectares of new planting consisting of 29,339 ha (45%) of broadleaves and 35,539 ha (55%) of conifers (see Table 17). Table 18 gives the area of woodland receiving management grant under the Woodland Grant Scheme.

TABLE 20: AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS WERE PAID

Year ended 31 March	Conifers (hectares)	Broadleaves (hectares)	Total (hectares)	Grant Paid (£ million)
1994	4608	4572	9180	£10.87
1995	7556	5021	12577	£13.11
1996	5918	4277	10195	£11.713
1997	6306	4906	11212	£11.132
1998	5842	5462	11304	£11.424
1999	5309	5101	10,410	£12.356
Total	35539	29339	64878	£70.542

TABLE 21: AREA PAID FOR MANAGEMENT GRANT UNDER WOODLAND GRANT SCHEME*

Year ended 31 March	Area (hectares)	Grant Paid (£ millions)
1994	22,465	£0.546
1995	45,714	£1.248
1996	77,980	£1.933
1997	108,215	£2.541
1998	113,635	£3.670
1999	112,957	£3.382
Total	480,966	£13.36

*This includes areas within Objective 1 Region

5.157 In addition other measures funded under Structural Funds have helped develop the skills base within the forestry industry. This has included support for over 400 trainees seeking vocational qualifications and for training over 100 forest machine operators. In addition forestry-based SMEs have received IT training, training in “best environmental practices in forest operations” and in “technology change in the forest industry supply chain”.

HILL LIVESTOCK COMPENSATORY ALLOWANCE

5.158 A recent evaluation of the HLCA scheme conducted by Edinburgh University’s Institute of Ecology and Resource management concluded that the rationale for supporting LFA farming remains valid. The Study showed that maintaining a farming presence in the Less-Favoured Areas had positive income and employment effects both within and outwith agriculture. Other benefits of supporting LFA farms were identified as maintaining the traditional sheep stratification system, with associated trade of store stock, and the maintenance of a unique genetic reservoir. Also maintaining current farming practices associated with the maintenance of both the physical capital of the farm infrastructure, such as dykes, hedges, shelter-belts, soil fertility, sward productivity etc and with the human capital in the form of farmers’ skills. The latter is particularly important if the presence of livestock farmers is seen as the route for further environmental and recreational enhancement within the LFAs. Moreover, this skill base should also serve as an extremely useful reservoir for diversification out of agriculture where this is an attainable proposition. It was also shown that the continuation of farming in the LFA provides a route for further environmental and recreational enhancement.

IMPACTS OF THE PROCESSING AND MARKETING SCHEME 1994-1999

5.159 Under the processing and marketing scheme for areas outside Objective 1 in Scotland, some £11.020m was allocated for the 6 years of the scheme. The planned commitments to the sectors on the basis of expected activity were as follows;

Sector	£m
Meat	4.620
Milk and Milk Products	1.650
Eggs & Poultry	0.450
Oilseeds	0.450
Fruit & Vegetables	1.400
Flowers & Plants	0.250
Potatoes	2.200

Due to unforeseen problems in various sectors of the industry, such as BSE, the final allocation will be markedly different. There is an obvious lesson to be learned here in that the indicative allocation of funds by measure should be avoided to allow the maximum flexibility to assist developments and changes within the food sector.

5.160 The recent mid-term evaluation concluded that the programme succeeded in promoting **high quality products** but there was less success in the developing of **new products**. The consultants believe that this is such an important factor in developing the competitiveness of the food industry that it deserves even more emphasis. There was good evidence, through comparison with the previous scheme, that **new products** are increasingly being developed through PMG. These conclusions have been reflected in the new programme

5.161 The performance of the program in promoting **organic products** was reasonable with just under 20% of projects aided involved. Consultant's industry analysis suggests that organics is one of the fastest growing segments of the market. It was highlighted that the production of organic products should deserve higher weighting in any new scheme. This is also being reflected in the new programme and represents a link between processing & marketing and the agri-environment scheme.

5.162 Other key recommendations from the consultants were that future programmes should:

Simplify the objectives - a clear statement of several distinct objectives would be of benefit since it would clarify marketing, decision making and monitoring/evaluation of the programme.

Adopt a more proactive marketing approach - sufficient funding should be made available to the programme administrators to ensure that there is ongoing proactive marketing.

Extend the scope of the programme - minimum size of eligible project should be reduced to improve additionality.

ENVIRONMENTAL ACTIONS

5.163 In 1998 Scottish Natural Heritage commissioned the Macaulay Land Use Research Institute to examine the socio-economic benefits of EAGGF funded environmental projects throughout Scotland. The Study was not able to quantify indirect employment impacts. It did, however, suggest that direct costs per job varied considerably, with costs per job of just over £20,000 for local improvement and green tourism projects, to costs of just under £60,000 for research projects. There was considerable variation depending on the proportion of local labour employed. However, employment creation was often not the primary objective of the project.

5.164 The MLURI study divided EAGGF projects by type:

1. Strategic information
2. Environmental enhancement

3. Local recreation and amenity
4. Green tourism
5. Education
6. Visitor Management

1. Strategic Information

Total value £1,571,591

Typically, these projects addressed data gaps in baseline environmental data, or gaps in the translation of data into meaningful and workable strategies and action plans. Examples included the data audit for the Dumfries & Galloway Programme, and site specific projects such as the Cromarty Firth and the Minch.

An increasing number of similar projects are expected to come forward in the next Programming period, as a more strategic focus is required to better guide resources. Dumfries & Galloway, in particular, made use of this facility, reflecting the strength of that area in developing projects based its natural heritage resources.

2. Environmental Enhancement

Projects in this category totalled just under £8.2 million.

A number of projects of this type focused on improvements to specific conservation areas, especially those of tourism importance. However, a significant number of projects also involved work with landowners and farmers, encouraging a more co-operative approach to environmental enhancement with a framework of common interests. Habitat management within the context of the River Tweed area is an example of this approach, as is the Black Grouse Recovery Project in the Rural Stirling / Upland Tayside Programme.

Further projects of this nature are expected to come forward, reflecting the changing emphasis (notable in Local Biodiversity Action Plans) from conservation concentrating on specific sites towards a focus on the quality of the wider countryside.

3. Local Recreation and Amenity

Projects in this category totalled some £2.6 million.

Projects of this type related either to the development of local reserves, such as community woodlands, or to the development of networks of paths providing access to the countryside for both local and visitor use. Greater emphasis was (and is) increasingly placed on provision of paths which link existing, local routes within wider networks being developed under the Government's *Paths for All* initiative.

4. Green Tourism

Some £4,230,000 was spent on this type of project

The bulk of the projects of this type were geared towards providing facilities more directly related to visitor activities than those under other headings. They included the provision or enhancement of visitor facilities at specific reserves or attractions, such as Caerlaverlock in Galloway or Kilmartin in Argyll, as well as improvements to long distance footpaths such as the Speyside or Central Highland Ways.

5. Education

Just over £2,500,000 was spent on this type of project.

In practice, most of the actions funded under this category were demonstration projects, together with some related to organisational development. The development of economically viable organisations based on native woodland projects was a particular theme, as was the development of projects related to new forms of sustainable tourism.

6. Visitor Management

A total of just under £4,400,000 was spent on this type of project.

The majority of projects under this heading, such as physical improvement to the Ben Lomond car parking and footpath network, related to the need to manage access to the countryside in the context of rapidly rising use by visitors and residents of programme areas.

The projects varied widely in delivering local socio-economic benefit, depending on their organisation. The best generated significant employment and training benefits to people in remote areas, with the prospect of long term employment opportunities. No attempt was made to estimate induced economic benefits through provision of tourist infrastructure (paths and facilities). However other studies of recreation have concluded that this effect is significant, and that in remoter and economically more fragile areas it can be especially important.

MLURI Conclusions and Recommendations

5.165 The Study present a number of conclusions and recommendations, including:

- There is insufficient experience to assess properly indirect employment generation associated with environmental improvements of all types; local and tourism improvements are best understood especially where local contractors are employed.
- Linking between physical and training projects should be encouraged to remove short-term skill shortages and increase local economic impacts.
- Similarly, projects that encourage cross-sectoral partnerships add value to social capital and build organisational capacity.
- There is potential to improve project delivery by encouraging replication of best practice - this implies a practice approach by those managing EAGGF.

- Better data on indirect employment benefits of environmental actions is required.

Agenda 2000 Impact on Scotland

5.166 AGENDA 2000 will benefit Scottish farmers by about £155 million from additional *direct* subsidies – compensating them for reduced prices for their products. It is expected that farm gate prices will fall by less than the full amount of the support price reduction but by how less is difficult to estimate precisely. The effect of the package is crucially dependent on the transmission mechanism between intervention and farm gate prices. For some commodities such as cereals where UK prices are already close to world prices the cuts in intervention prices may have little, or no affect on, prices paid to farmers but for other commodities such as beef the intervention price cut will impact on farm gate prices substantially, but by less than 100%. The best initial estimates suggest that the value of Scottish farm output derived from the market, as opposed to from subsidies, will fall by between £120m and £145m. (The main uncertainty being what will happen to cereal and oilseed rape returns). Input costs could also fall by some £25 m - mainly as a result of lower feed costs.

5.167 Overall, the package will benefit Scottish farming, especially with the significance of the beef-breeding herd and cattle finishers. The impact on cereal farmers is expected to be neutral or negative - it is crucially dependent on intervention and farm gate price relationship. Future problems with Blair House rules for Oilseeds suggest that major reduction in AAPS payments on oilseeds would have happened anyway. The best estimates suggest the net gain to Scottish agriculture in total is estimated at between £30- £60 million. For individual full-time farms the gain will be just under £2000 per farm. However, these estimates are highly dependent on the exchange rate – and the Euro is currently at a historically weak level relative to sterling.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Drawing on the analyses in this chapter, we identify the following:

Strengths

- Rural Scotland is noted for its **natural and scenic beauty**, which attracts tourists and can help to market Scottish products through its image and consumers' perceptions;
- the rural **population is growing** helping to preserve rural communities and providing new employment opportunities;
- Scotland has a **reputation as a quality producer**. This will help in the development of new products and ease access to new markets;
- increasing **availability of softwoods** for the next 25 years;
- around **80% of softwood timber grown** in Scotland is processed in Scotland.
- **agriculture and forestry** have traditionally been the cornerstone of the rural economy and have contributed to the diversity of landscapes and local distinctiveness across Scotland;
- much of rural Scotland is of **high environmental quality** and of European and national significance;
- areas of highest environmental quality often rely on **traditional or extensive agricultural land management practices** to maintain biological diversity.

Weaknesses

- Rural Scotland has a **peripheral location** at the edge of Europe which makes it difficult to enter and retain markets;
- **accessibility problems** within much of rural Scotland due to distance from major service centres and availability of public transport;
- due to problems such as accessibility and lack of immediate access to service centres, rural communities often suffer from **higher prices**;
- rural **population sparsity** increases the costs of service delivery and can lead to people not wishing to live in rural areas;
- dependence on a **narrow employment base**;
- **lack of business management skills** in many rural industries;
- **agriculture is highly subsidy dependent**, which is a weakness, as the long term direction of European agricultural policy is to reduce the importance of production related agricultural subsidies, while boosting support for environmentally sustainable farming practices and wider rural development objectives;
- **Scottish agriculture is too heavily dependent on commodity markets** (which are suffering from low product prices) and pays insufficient attention to obtaining greater value added through niche markets;
- **lack of market signals** making their way to **primary producers**;
- much of rural Scotland's **agricultural produce is processed elsewhere**, thus reducing the scope of adding value locally and increasing returns to primary producers;
- **low timber prices** which emphasise the need to secure alternative, value added outputs and products;
- **costs of transporting timber; and other costs** which affect the relative competitiveness of the forestry industry in Scotland;
- **long term decline in biodiversity** related to the loss of semi-natural habitats and diffuse pollution;
- **lack of detailed knowledge of environmental management** on farms;
- **lack of awareness of environmental assets** and how these can contribute to rural diversification.

Opportunities

- To **build upon experience of current diversification** support to encourage further activity which will exploit and develop multi-functionality in the agriculture sector – eg social, public access, provision of rural services, tourism, wildlife interests – as well as the core business of food production;
- there is **increasing demand for activity and environmentally based holidays**;
- there is **increasing demand** for quality food products that Scotland *can* produce;
- returns to hard-pressed primary producers could be improved by adding value through more local processing facilities and services;
- the **farming industry is willing to adapt** to the new commercial environment and to learn how to exploit market opportunities to add value and work with other parts of the food chain;
- devolution has brought **greater attention to integrated rural development** and the need for co-ordination amongst the agencies and sectors involved;

- there is a high level and growing uptake of agri-environmental grant schemes amongst farmers and an opportunity to expand employment in countryside management;
- **improved integration** between forestry and agriculture and the opportunity to assist agricultural development via forestry related activity;
- **timber production set to double** over the next 15 years;
- greater use of **technology in forestry** sector;
- exploitation of **new markets for forest products** (eg construction sector, hardwood furnishings, energy etc);
- improvements to **biodiversity** through forest management techniques;
- increased **recreational and tourist use** of Scottish forests.

Threats

- adverse **impact on rural economies of severely depressed farm incomes**;
- farms in disadvantaged areas that are not able to adapt to changing circumstances will be **economically marginalised**. There is a risk of land abandonment if viability of farms is under sustained threat;
- continued pressure on farm incomes and specialisation of farming systems could lead to a **further loss in biodiversity and local distinctiveness**;
- **low timber prices** and **pressure on existing transport infrastructure** – eg roads and bridges used for hauling timber;
- the future is less than certain for the agriculture sector, and many are facing problems planning with the **uncertainties** to be presented by future CAP reform; WTO reform and EU enlargement and the challenges that they will present;
- forecast **shortfalls** in the availability of softwood by 2042-46;
- **impact on forests** of deer and domestic livestock.

CHAPTER 6: DESCRIPTION OF STRATEGY PROPOSED, QUANTIFIED OBJECTIVES, RURAL DEVELOPMENT PRIORITIES SELECTED AND GEOGRAPHICAL AREAS COVERED

6.1.1: BACKGROUND TO STRATEGY: THE POST-DEVOLUTION SITUATION IN SCOTLAND

1. 1999 was a significant year in Scottish history. Devolution marked the creation of the Scottish Parliament for the first time since 1707. The Scottish Executive was established to manage the powers and responsibilities devolved through the devolution settlement. The Executive's Programme for Government, "Making It Work Together", made a commitment to **"support and enhance rural life, rural communities and the rural economy"**. This commitment has been recognised by the appointment of a Minister for Rural Affairs, and the creation of the Scottish Executive Environment and Rural Affairs Department.

2. Although matters are at a relatively early stage, the overall thrust of rural policy in Scotland aims not to set our rural areas apart, but to ensure that wider policies, eg economic, social and environmental, take account of the needs of rural areas, and are adaptable to suit the diversity among rural areas of Scotland. The Executive has recently issued an important policy document **"Rural Scotland – A New Approach"**. This document describes the main actions being undertaken to support and enhance our rural communities, economies and the environment. The document acknowledges that there are many complex and inter-related issues facing our rural areas, and it recognises that what may work as a solution in one rural area, may not achieve the same positive result in another area.

3. The serious difficulties facing Scottish agriculture are also mentioned in **"Rural Scotland – A New Approach"**. However, the Executive is also taking forward a major exercise to create a **"Forward Strategy For Scottish Agriculture"**, in liaison with key public sector organisations and representatives from the food and land-based industries. This project will examine the role of farming, its structure in Scotland, its commercial viability and future opportunities. It is recognised that agriculture is still the economic mainstay of many of Scotland's rural communities, and that a sustained decline in its fortunes could have serious repercussions for the social and environmental fabric of Scotland, as well as the economies of rural parts of the country. The Executive is planning that the **"Future Strategy For Scottish Agriculture"** should be finalised in early 2001. It should be noted, therefore, that the Executive is likely to make full use of the flexibility to undertake annual reviews of the priorities, measures and funding of activities included in this Plan. It is our intention that, over time, the Rural Development Plan should become one of the key mechanisms to deliver a strategy which will meet distinctive Scottish circumstances and priorities.

6.1.2: COMMENTARY ON SWOT ANALYSIS

1. In developing our strategy, and priorities for action and investment, we have analysed the strengths, weaknesses, opportunities and threats described in Chapter 5. We have concluded that overarching strategic objective for the priorities set out later should be **"to promote the sustainable economic, environmental and social development of Scotland's rural areas, particularly those areas which remain heavily dependent on agriculture"**. The rationale behind the priorities set out later is based on consideration of:

- a. how we might develop the strengths of Scotland's rural areas, and exploit opportunities;
- b. how we might address the weaknesses we have identified; and
- c. how we might reduce the threats to our rural areas.

2. It is evident that one of Scotland's strengths is its attractive, diverse but fragile rural environment. Given that most of Scotland's rural land area remains in agricultural use, it is important that those engaged in agriculture are able to stay on the land, to remain viable in the face of extremely difficult trading conditions, and to manage the land in an environmentally sustainable way. There is also scope for the expansion of Scotland's forest areas, to improve the biodiversity of our forests, and to exploit new market opportunities.

3. If no encouragement is given to fulfil these objectives, there is a risk that incomes and employment in farming will reduce further, local rural economies will become even more fragile, and the landscape and biodiversity may deteriorate as a consequence of lack of management. Exploiting Scotland's attractive environment, coupled with careful management of the countryside, should help to maintain and increase rural populations, as well as encouraging tourists and visitors to visit parts of Scotland outwith the traditional tourist routes.

4. Another of Scotland's strengths is the quality of its agricultural produce. The view widely held across public sector and industry organisations is that significant opportunities remain to capitalise on the demand for quality food products which Scotland can produce. This is reflected in the strategies of Scotland economic development bodies. It is true to say that the impact of the BSE crisis has hit producers hard, both in economic terms, and in respect of public perception of food safety. These adverse factors have, however, given added impetus to the drive for quality and traceability, and Scottish livestock producers are now turning the corner in terms of building consumer confidence in their products. The exploitation of new markets which expand the use of forest products, and add value to them, also presents opportunities for Scotland's forestry sector.

5. The SWOT identifies a range of weaknesses and threats to rural Scotland. It is accepted that there is little which the scope of this Plan can do to address historic problems of, for example, periphery and price differentials. Subsidy for transportation costs, or direct compensation for the comparatively higher cost of living in rural areas are clearly ineligible for support under the terms of the RDR. These matters are being addressed as part of the Executive's wider policies and programmes, thus allowing this Plan, and the resources allocated to it, to concentrate on the particular needs of the agricultural sector, and the rural communities which remain heavily dependent on the farming industry. Direct subsidies from the CAP are at historically high levels, but despite this, farm incomes remain badly depressed. It is recognised by the Executive, and by Scotland's farming industry, that further reforms of the CAP may well lie ahead as a consequence of WTO negotiations, and the impact of eastward enlargement of the EU. While operating in a global marketplace may well present opportunities for Scottish producers, increased competitiveness may also continue to put pressure on their incomes. There is a perception in the industry that these factors represent threats to the stability of Scottish agriculture. While it is unlikely that the priorities and measures set out in this Plan will resolve all of the difficulties facing Scottish

agriculture, we believe that they will help considerably to improve stability and viability, and protect and enhance Scotland's fragile rural environment.

6.1.3: STRATEGY FOR RURAL DEVELOPMENT PLAN AND PRIORITIES FOR INVESTMENT

1. The description of the current situation, and the analysis of strengths, weaknesses, opportunities and threats in Chapter 5 reveal a contrasting picture. On the positive side, rural Scotland has much to offer in terms of scenery, biodiversity and quality of agricultural produce. However, these positive factors are threatened by a range of negatives, most notably the serious economic position of Scotland's agricultural sector, after four years of low (and falling) farm incomes caused by a combination of over-supply of most of the major agricultural products, low product prices, currency exchange rates and the impact of the BSE crisis. While the level of agricultural employment has fallen over the years, agriculture remains the key economic driver in many rural areas, and its linkages to allied and downstream industries mean that there is a wider threat to rural economies if the fortunes of the sector continue to decline. Thus, one of the key priorities for this Plan is **"to assist the future viability and sustainability of Scottish farming and forestry"**.

2. Scotland's landscape and biodiversity are also key factors in maintaining the quality of life in Scotland's rural areas, now and for future generations. Our environment also has an important role in attracting visitors who bring revenue to rural areas, and the environmental factor is important in respect of the image and marketing of high quality Scottish agricultural products. Given that farmers are responsible for the management of the vast majority of land across rural Scotland, it is essential that land is managed in a way which, not only results in economically viable rural businesses, but which maintains and improves landscape quality and biodiversity. Thus, the second key priority for the Plan is **"the encouragement of farming practices which contribute to the economic, social and environmental sustainability of Scotland's rural areas"**.

3. Depending on emerging policies and strategies from the Executive, and, crucially, the availability of EU and domestic resources, we may wish to revise and widen the scope and number of objectives, and associated funding, using the annual review process permissible in terms of Regulation 1750/99. Over time, we hope that it will be possible to widen the focus from this version of the Plan, which is very much orientated to supporting the agriculture sector, towards a wider range of on and off-farm measures, particularly those available under Article 33 of the Rural Development Regulation.

6.1.4: LINKAGES BETWEEN KEY PRIORITIES AND MEASURES DESCRIBED IN THE PLAN

1. As indicated in the previous section, our first priority is **"to assist the viability and sustainability of Scottish farming and forestry"**. The three accompanying measures described in greater detail in the Plan will contribute in varying degrees to this Priority. Although the **agri-environment programme** is designed primarily to encourage environmentally friendly farming practices, EU and domestic resources will compensate farmers for income foregone, thus helping to balance financial losses. In any event, the agri-environment programme is the mandatory element of the Plan. Our proposals for separate, state aided, diversification and marketing/processing schemes are fundamental to this priority, but are not incorporated in the Plan.

2. The **Less Favoured Areas Support Scheme** is, however, firmly wedded to this Priority. The description of the current situation and the SWOT analysis underline the weaknesses of Scottish agriculture, and the threats to its viability. The most vulnerable producers are to be found in Scotland's less-favoured areas, and it is these producers who are likely to be hit hardest if the fortunes of the sector continue to decline. Producers in less-favoured areas have fewer viable opportunities for diversification, since many of them are in remote areas, with limited access, and they operate on land which, in many cases, is suitable for livestock production only. However, if these producers are forced out of business, the wider economies in these fragile rural areas will be threatened, and there would also be adverse social (eg unemployment, depopulation) and environmental (eg abandonment, loss of biodiversity) consequences.

3. The **afforestation of agricultural land** provides opportunities for diversification, even in these areas where land quality is relatively poor. This activity will build upon the success of Scotland's forestry sector, and help to exploit market opportunities for forest products, and the increased use of Scottish forests for recreational tourist purposes. New afforestation will also help to counter the forecast shortfalls in the availability of softwoods by 2042. This measure will provide additional sources of income for producers at a time when financial returns from mainstream agriculture are unlikely to sustain the industry.

4. The second key priority is to “**encourage farming practices which contribute to the economic, social and environmental sustainability of Scotland's rural areas**”. The **agri-environment programme**” will play the most significant role in delivering this priority, thus building on the strengths of Scotland's and extensive land management practices, enhancing biodiversity, and maintaining the land in ways which will attract visitors and protect the environment for future generations. The area-based scheme to support producers in Scotland's **less-favoured areas** will operate under the terms of Good Farming Practice, thus ensuring that producers who apply for support comply with high environmental standards of land management. Similarly, the **afforestation of agricultural land** measure is governed by rigorous environmental safeguards. These safeguards are enforced through contract approval and monitoring procedures to ensure that applications meet the environmental standards set out in the “UK Forestry Standard” and the associated guidelines on nature conservation, landscape design, archaeology, soil and water. Environmental Impact Assessments can also be applied, and there are detailed assessments of any proposals which have implications for Natura 2000 sites. Thus, in addition to assisting and improving the viability and sustainability of Scotland's agricultural sector, the accompanying measures in this Plan will also contribute significantly to protecting and enhancing the environment by ensuring, and enforcing, high standards of environmental land management.

5. However, for the purposes of the Plan, and compliance with the RDR Implementing Regulation (Reg.1750/99), we have used the following construction to align the priorities and measures in the Plan, including the Financial Tables:

Priority 1 (to assist the future viability and sustainability of Scottish farming):

Measure 1 – Support for Less-Favoured Areas

Measure 2 – Forestry (Scottish Forestry Grant Scheme and SFGS: Farmland Premium)

Priority 2 (to encourage farming practices which contribute to the economic, social and environmental sustainability of rural areas)

Measure 1 – The Agri-Environment Programme

6.1.5: AN INTEGRATED APPROACH

1. Partnership is one of the keys to the successful delivery of rural development. There is more opportunity for successful delivery of policies through co-ordinated action, rather than departments and agencies working in isolation. Within the Executive, this is illustrated by the existence of a Ministerial Committee on Rural Development which draws together interests across the Executive – from transport through to education, social inclusion, agriculture, fisheries etc. A committee at this high level will help to ensure that rural interests are recognised in all policies, and that actions taken across the Executive are consistent with enhancing the economic, social and environmental well-being of rural Scotland.

2. In addition to this Ministerial partnership, there are also important partnership links with, and between the Executive and the other key players in rural development. The Scottish National Rural Partnership is an example of how these linkages are maintained. This partnership draw together various organisations eg the Executive, Scottish Enterprise, Highlands and Islands Enterprise, Scottish local authorities, voluntary bodies, Scottish Homes, and farming and land-owning organisations. This means that a wide range of rural stakeholders can ensure that their views are fed into the development of Executive policies and strategies.

3. This Plan, and in particular the non-accompanying measures which will be funded separately as state aids, has been drawn up with the assistance of a Plan Team (membership incorporated in the preface to the Plan), who bring a great deal of public and private sector experience and knowledge to the process. The funding position has, inevitably, meant that the Executive has been unable to meet all of the aspirations (particularly for more Article 33 activities to receive support), but we have given the firm undertaking that the priorities and measures in the Plan, and the availability of funding, will be kept under frequent review, and that the Plan should evolve, over time, to reflect policy developments and decisions taken by Ministers eg the implementation of a strategy for Scottish agriculture.

4. As indicated later in the Plan, we intend to implement state-aided measures for farm diversification and the marketing and processing of Scottish agricultural products. It is our intention that regional and national organisations should remain involved with the Executive in the management and, the funding of these schemes. Experience of administering and funding schemes under Objective 5b has shown that it is essential to bring on-board a blend of national and regional expertise and knowledge, to ensure the most effective allocation of funds, and the integration of national and local strategies and priorities. Although we understand that industry organisations may have difficulty with scoring and assessing projects submitted by their own members, we hope that they will be willing to stay involved in the process, perhaps as observers, to scrutinise the fairness and transparency of our delivery arrangements.

6.1.6: EQUAL OPPORTUNITIES

1. The Executive fully supports the Commission's objective of mainstreaming of gender equality for the new round of Structural Funds and RDR Programmes. The principle of equal treatment is firmly established in both UK and Scottish law. There are no legal obstacles to equal opportunities in farming, rural enterprises, educational and training facilities. Minimum wage legislation also applies equally to men and women.
2. The first step we envisage is a review of existing agricultural/rural statistical systems to check whether they can differentiate between men and women, and then to consider the scope for, and value of, remedial action, where systems do not cater for gender differentiation. This should improve baseline data, which can be used to monitor subsequent progress.
3. We have ensured that there is an appropriate gender mix on the Plan Team, who have assisted with the development of the Plan. Promotion of equal opportunities will be written the terms of reference of any committees or advisory groups established to oversee or manage measures falling within the scope of the Rural Development Regulation. While it is evident that the measures set out in this Plan may not lend themselves readily to differentiation according to gender, we envisage considerably more scope in other activities eg diversification and processing and marketing, to create employment and economic opportunities for women. Project applications for diversification and marketing and processing schemes could be appraised in a way which recognise opportunities to promote women as key developmental actors in rural areas of Scotland. Our view is that such action will reflect wider trends among farming businesses, in particular, where the generation of income from non-agricultural activities, often by the spouse or other family members, is becoming increasingly important to economic viability.

6.1.7 EXTENT TO WHICH THE STRATEGY TAKES ACCOUNT OF ALL RELEVANT INTERNATIONAL, COMMUNITY AND NATIONAL ENVIRONMENTAL POLICY OBJECTIVES

1. In planning and implementing the schemes incorporated in the Plan, the Scottish Executive will take into account the need to comply with international obligations such as the Convention on Biological Diversity, which is being implemented by way of the Biodiversity Action Plan, and in Scotland, Local Biodiversity Action Plans. Another example is the Ministerial Conferences on the Protection of Forests in Europe. Our commitment to sustainable forest management is demonstrated through adoption of the UK Forestry Standard, and through the Scottish Forestry Strategy. The **agri-environment programme**, and the **forestry chapters** in the Plan are relevant, in respect of demonstrating the Executive's commitment to these obligations.
2. In terms of Community obligations, the Executive is aware of the requirements of the Birds and Habitats Directives. Lists of sites are included at Annex B. Operational safeguards will be built into the schemes included in this Plan and the verifiable standards in Good Farming Practice will also apply. These measures should ensure that activities supported through the Plan do not contribute to the degradation of designated sites and sites to be designated, and, particularly through the agri-environment programme, activities in the Plan should provide incentives for environmentally positive land management practices.

3. There are 117 Special Protection Areas (SPA's) in Scotland, classified under the EC Birds Directive, with around 25 additional Scottish sites proposed for classification by the end of the year 2000. This will substantially complete the classification programme of land-based SPA's in Scotland. Further consideration is being given to marine SPA's and the criteria for their identification. 131 Scottish, and 3 cross-border, candidate Special Areas of Conservation have been proposed to the European Commission under the EC Habitats Directive. An additional list of 90 proposed new Scottish sites was announced on 14 June 2000. Since then, one site, previously treated as a cross-border site, has been added to this list. These sites will be subject to public consultation over the next few months, to decide whether the scientific case supports their proposal to the Commission.

4. The new list of proposed SACs, announced on 14 June, was to address the finding by the European Commission that the UK had proposed an insufficient series of sites. The moderation seminars held last Autumn for Member States in the North-West Atlantic Region concluded that every participating Member States' proposed selection of sites was insufficient. Member States were asked to review their candidate SAC lists, with a view to presenting revised details for consideration at the next moderation seminar. The original timing for the seminar of October 2000 has been adjusted to January 2001.

5. Once designated, the Natura 2000 network of SPAs and SACs must be protected in accordance with Article 6 of the Habitats Directive. There is a range of financial incentives available to the people who manage Natura 2000 sites, including management schemes supported by Scottish Natural Heritage, the European LIFE Nature Fund, and the agri-environment programme. A degree of priority has already been given to applicants under the Countryside Premium Scheme, who own or manage Natura 2000 sites. The new Rural Stewardship Scheme lays greater emphasis on the extent to which applications contribute to the Government's international and national conservation objectives, and to its environmental objectives, which seek to protect and enhance Scotland's landscape, including archaeological and historic features, wildlife, habitats and natural resources of the countryside. The Rural Stewardship Scheme, described in more detail in the Plan, will give preference to applications which include the management of sites which are designated under the Birds and Habitats Directives, where the management would benefit species in the UK Biodiversity Action Plan, and sites which are subject to national designations, or where species in a local Biodiversity Action Plan would benefit.

6. With regard to national obligations, the relevant legislative provisions are described in Good Farming Practice, which is included in the Plan. The GFP section also includes text to describe how standards will be monitored and verified.

7. The UK Government is committed to submitting to the Commission a list of amended and additional candidate Special Areas of Conservation under the Habitats Directive, together with related scientific information, as quickly as possible. A formal list will be presented to the Commission by January 2001. In line with its commitments, and pending presentation of its list, the United Kingdom gives a formal guarantee that it will take the necessary steps, and implement appropriate procedures to ensure that sites being formally considered for SACs will not be damaged by operations part-financed by Regulation 1257/1999. The Scottish authorities, in line with commitments made by the UK Government, are committed to making substantial progress in completing the designation of Nitrate Vulnerable Zones, and to make sufficient progress in defining and implementing the binding measures under Annex III of Directive 91/676/EEC by 30 June 2001.

6.2 DESCRIPTION AND EFFECTS OF OTHER MEASURES OUTSIDE THE FRAMEWORK OF THE PLAN

THE COMMON AGRICULTURAL POLICY

6.2.1 The various schemes of assistance to livestock and arable producers under the Common Agricultural Policy will continue to inject significant resources into Scotland's agricultural sector. Over-dependence on agricultural subsidies is regarded as a weakness, in respect of the long term sustainability of Scottish farming, but there is no doubt that many producers would have been forced out of business had it not been for the bedrock of financial support provided through the subsidy mechanisms of the CAP. A broad estimate of annual CAP support in Scotland is 770 million euros (approximately £480 million).

6.2.2 As indicated earlier in the Plan we estimate that the Agenda 2000 CAP reforms will have a beneficial effect on Scottish farm incomes, to the tune of around £30-60 million per annum. Farming organisations in Scotland have expressed some concern that further CAP reform is inevitable, given the budgetary costs, enlargement of the Community, and WTO negotiations. It is appreciated that operating in a climate of uncertainty may be unhealthy in terms of business confidence, but it is hoped that the measures in the Plan, plus other activities detailed below, will help the agricultural sector in Scotland to restructure and diversify, while encouraging the adoption of environmentally friendly farming practices.

Marketing and Processing of Agricultural Products

6.2.3 With much poor quality land, and located on the periphery of Europe, Scotland cannot compete in terms of high volume, low unit cost products. The characteristics and relatively small scale of the Scottish food industry in the international arena have confirmed that the most profitable, perhaps the only, place for Scottish food is with niche market, quality products. Scotland's positive international image, especially as a producer of wholesome quality food, offers an advantage in penetrating overseas markets.

6.2.4 Most of Scotland's agricultural and fisheries output leaves Scotland in raw, unprocessed form. Not only does this lack of added value activity reduce returns to Scotland's producers, it takes employment potential away from rural areas where the raw materials are produced. Thus, the agri-food industry offers an important opportunity to contribute to the sustainability and restructuring of agriculture, as well as benefiting wider rural economies. The Scottish Food Strategy was launched in June 1999, and it sets out a fresh vision for a more prosperous food and drink industry. The strategy has the potential to provide the industry with increased efficiency and flexibility, better access to ideas and information, improved marketing, innovation and lower transaction costs. To achieve these goals, and imaginative, constructive and enthusiastic partnership, involving all of Scotland's economic players will be put in place – including industry, finance, education, research, government and the enterprise network.

6.2.5 In view of the scarcity of EAGGF resources, there is no scheme in the Plan to support the processing and marketing of agricultural products. However, we see this as a vital component in helping the Executive and industry to take forward the Scottish Food Strategy. Many of the responses to consultation exercises on the Rural Development Regulation highlighted processing and marketing as a priority measure for investment, and this concept

was strongly endorsed by the Plan Team. It is, therefore, our intention to draw up a marketing and processing scheme, outwith, for the moment, the scope of this Plan. The scheme will, however, comply with the terms of the Regulation, and it will be notified to the European Commission as a state aid through well-established procedures. If, for example, additional EAGGF resources are identified during the life of the Plan, this scheme may be added into the Plan, through the annual review facility.

6.2.6 It is likely that the scheme will support, from both national and regional funding sources, activities including:

- construction or improvement of immovable property, but not land purchase;
- new machinery and equipment, including computer hardware;
- a proportion of general costs such as architect's, engineer's and consultant's fees, acquisition of patents, licences etc;
- market consultancy and research studies;
- marketing material, support for trade shows, exhibitions, educational and sales visits, assistance for new co-operatives, establishment costs and certain operating costs.

6.2.7 Further assistance to help the development of the agri-food sector will be provided from the Marketing Development Scheme, another state-aided activity. This funding is also geared to helping deliver the Food Strategy, and it will be complementary to the processing and marketing scheme. The MDS is a non-capital scheme which seeks to improve the efficiency of Scotland's marketing, by helping farmers, growers and processors to improve their marketing and commercial expertise. It aims to help the industry develop efficient marketing structures, and to encourage sound marketing practices for both domestic and overseas markets.

Development and Diversification of Agriculture

6.2.8 Given the depressed state of farm incomes, producers realise that economic recovery from the current adverse cycle will take time. They are, therefore, looking increasingly at alternative ways to generate income, using their land, buildings and skills, including exploiting opportunities outwith their agricultural holdings. We describe, earlier in the plan, the success of the Objective 5b Rural Diversification Programme, but it is apparent from responses to our consultation exercise, and discussions with regional and industry organisations, that considerable scope remains for public sector support to help diversification projects throughout Scotland's rural areas.

6.2.9 In addition to generating income and employment for farming families, well-planned and researched diversification projects have spin-off benefits for local contractors and suppliers (eg building materials), and for the range of facilities and activities available to both local people, and visitors to Scotland's rural areas. Experience of administering and funding previous programmes has highlighted the importance of thorough market research and financial planning by potential applicants, and for an integrated multi-agency approach to project assessment. Thus, projects can be judged on the basis of local strategies and

priorities, and with inputs from local organisations who are aware of current market provision and demand, and the risks of displacement.

6.2.10 The proposed scheme will provide an integrated approach to assisting diversification projects, involving support towards the costs of business planning, capital works, training and marketing as part of a package.

6.2.11 In addition to the capital costs of eligible diversification projects, funding may also be available for the costs of business planning, training and marketing associated with establishing alternative economic enterprises, the costs of locally-based animateurs, and national or regional feasibility studies to examine the potential for and viability of types of diversification activity. The scheme may well evolve into a wider business development measure which will assist the restructuring of businesses and encourage innovative practices and improved collaboration.

6.2.12 At the moment, there are insufficient EAGGF resources available to co-finance this scheme, but it is possible that the scheme could be incorporated within the Plan at a later date, if additional EAGGF resources are identified. In the meantime, the scheme will be notified to the Commission as a state aid, through established procedures.

EU Structural Funds Plans

6.2.13 The EAGGF measures included in the Highlands and Islands Special Transitional Programme (Commission Decision 2000/2348 of 8 August 2000) are outlined earlier in the Plan. In addition to providing the domestic co-finance for the agricultural development measures, the Scottish Executive Environment and Rural Affairs Department is also represented on the Management Committee and the Monitoring Committee. Thus, co-ordination and consistency of approach will be delivered as part of the partnership between central government, regional agencies and social and economic partners in the Highlands and Islands.

6.2.14 There are 3 Objective 2 Plans covering the East, West and South of Scotland. The Plans also include former Objective 2 and Objective 5b areas which did not qualify for Objective 2 designation under the new Regulations, and thus are in transition. Although the West of Scotland Plan covers mostly urban and industrial areas, there are rural areas such as parts of Lanarkshire and Ayrshire where agriculture remains an important element of local economies. The three Accompanying Measures in this Plan will apply horizontally across all rural areas. In addition, the state-aided measures described later in this section will also apply cross rural Scotland. The East and South of Scotland Plans incorporate large rural areas. In addition, there is the Scottish Objective 3 Plan which is the means by which European Social Fund resources will be distributed in Scotland.

6.2.15 The current version of the **Objective 2 South of Scotland Plan** has two priorities – business and the economy, and people and communities. Measures for ERDF support include developing competitive and sustainable businesses, support for tourism, environment, culture and heritage; developing the south of Scotland as a competitive location, community support structures and area regeneration.

6.2.16 The current version of the **Objective 2 East of Scotland Plan** describes strategic sectors for ERDF support, including food and drink, and the forest product industries.

Measures include support for creation and development of small-medium enterprises, technology and knowledge transfer, community engagement, capacity building and community economic development.

6.2.17 The current version of the **Objective 2 West of Scotland Plan** has two priorities ie to develop the competitiveness and innovative capacity of the region's economy, and to increase the economic and social cohesion of the region. Measures, to be supported by ERDF (and ESF) include development of a competitive and innovative business base, development of the region as a competitive location, development of a competitive workforce, community area regeneration, addressing the barriers to economic and social inclusion, and strengthening routes to opportunities.

The Objective 3 European Social Fund Plan

6.2.18 Objective 3, by means of ESF, assists, through vocational training, guidance and access to employment projects, the unemployed and those excluded from the labour market in Central and Lowland Scotland. Under the new 2000-2006 programme (approved by the Commission on 19 July 2000 as part of the UK programme) Objective 3 is also committed to improving the skills base of the existing workforce in line with Scotland's drive to embrace the new economy, and to promote equal opportunities in the labour market. It does the above under a number of priorities:

- Raising Employability (6-24 months unemployed).
- Raising the Employability of the older unemployed (people aged 40-50).
- Addressing Social Exclusion of Thematic Groups: the target groups are individuals who are jobless and a member of one of the following groups; ethnic minorities, people with disabilities, young people leaving care, ex-offenders, older unemployed (50+), pre-school leavers, (12-16 years old) at Secondary school in disadvantaged areas, lone parents, travellers, long term unemployed (2 years+).
- Addressing Urban Exclusion: jobless individuals who are resident within either a designated CED area under the Objective 2 programme, or who fall under a geographically targeted SIP.
- Addressing Rural Exclusion: jobless individuals resident in areas designated as rural exclusion areas by the Objective 2000-6 programmes). Likely beneficiaries will include the above target groups plus seasonal workers.
- Capacity building for organisations involved in delivering support to target groups.
- Support for lifelong learning – modernising the learning industry, in line with Scotland's drive to build a more flexible workforce.
- Support for making the workforce more competitive – awareness raising of the importance of raising skill levels, raising skills levels across the workforce and training for higher level skills and improved management.

- Entrepreneurship – promoting and developing an enterprise culture and support for new firm formation.
- Addressing the gender imbalance through promotion of positive actions.

Co-ordination between Rural Development Plan and EU Structural Funds Plans

6.2.19 The Scottish Executive has overall management authority responsibility for both the EU Structural Funds Plans, and the measures incorporated in the Rural Development Plan. The two lead departments, the Scottish Executive Development Department and the Scottish Executive Environment and Rural Affairs Department work in tandem. In addition, there are members from the East, West and South Structural Funds Plan Teams who are also involved in the Rural Development Plan. Co-ordinated delivery arrangements, and close liaison at national and regional levels will assist with the effective targeting of resources, and the avoidance of overlap and duplication. Given that this Plan includes very specific EAGGF support for three of the CAP Accompanying Measures, there is no possibility of double funding with projects supported from the ERDF and ESF.

6.2.20 There is more risk of overlap between the proposed (state aided) marketing and processing scheme, and diversification scheme, and measures supported by ERDF resources. Again, this should be avoided through liaison between the Rural Affairs Department, the Development Department, the Structural Funds Programme Executives, and our proposals for regional assessment committees for marketing and processing and diversification schemes which will include representatives from organisations from East, West and South Scotland. More positively, these arrangements should allow for improved integration of funding, and better alignment between national and regional strategies.

6.3 AREAS COVERED BY SPECIFIC TERRITORIAL MEASURES

6.3.1 The agri-environment programme, and the afforestation of agricultural land measure will apply across all rural areas of Scotland. Our proposals for a scheme to support Scotland's less-favoured areas will cover only those areas designated in accordance with Council Directive 75/276, as amended by Council Directive 84/169, and Commission Decision 91/25. The list of Scottish less-favoured areas is incorporated at Annex C in the attached document. There are no proposals to amend the list of less-favoured areas in Scotland, and we do not intend, at the moment, to introduce special measures to compensate farmers who are operating under environmental restrictions (viz Article 13(b) and Article 16 of the Rural Development Regulation).

6.4 TIMETABLE FOR IMPLEMENTING MEASURES, EXPECTED UPTAKE AND DURATION

6.4.1 In accordance with the transitional legislation introduced by the Commission, we propose to pay Hill Livestock Compensatory Allowances, under current arrangements for 2000. For the period 2001-2006, our proposals for a new area, based system will operate in Scotland's less-favoured areas, subject, of course, to Commission approval of the scheme, and the Plan. Full uptake of the EAGGF and domestic resources profiled in the financial tables is anticipated.

6.4.2 With regard to the agri-environment programme, an arrangement was introduced from 1 January 2000 whereby SEERAD accepted applications for assistance, processed them, but no financial commitments were entered into, subject to Commission approval of the Rural Development Plan. This arrangement applied to applications under the Countryside Premium Scheme, the Organic Aid Scheme and the Environmentally Sensitive Areas Scheme.

6.4.3 The Countryside Premium Scheme closed at the end of July 2000, and the Environmentally Sensitive Areas Scheme will close later, in the Autumn. The Organic Aid Scheme will continue over the period 2000-2006 and the Rural Stewardship Scheme is planned to open later this year, with the first commitment of expenditure likely in autumn 2001. Full uptake of the EAGGF and domestic resources profiled in the financial tables is anticipated in respect of the agri-environment programme. The Rural Stewardship Scheme will run from the date of Plan approval, through to 2006. See table at paragraph 7.4 for projected uptake and impact of the Organic Aid Scheme and Rural Stewardship Scheme.

6.4.4 Since the Farm Woodland Premium Scheme, and the Woodland Grant Scheme remain unchanged, these schemes remain open for approvals. It is intended that the schemes will cover the period of the Plan, ie 2000-2006, but it should be noted that a review of the schemes is likely to take place during the life of the Plan. As for the other accompanying measures described in the Plan, full uptake of the EAGGF and domestic resources profiled in the financial tables is anticipated.

CHAPTER 7: APPRAISAL SHOWING THE EXPECTED ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

7.1 More detailed information is provided in the measures covering agri-environment, support for less-favoured areas and forestry. In more general terms, however, it will be difficult to gauge the benefits of these measures at the macro level, given that the economic viability and sustainability of Scottish agriculture will be influenced by other important factors, such as commodity prices, interest rates, currency exchange values etc.

7.2 That said, we envisage that the measures introduced in the Plan will have significant environmental benefits, as well as assisting with the diversification of agriculture, and helping to sustain agricultural businesses which operate in areas which suffer from poor soil quality, and adverse geographical and topographical factors. The proposed state-aided measures referred to earlier in the Plan will provide further opportunities to add value to Scottish produce, improve returns to primary producers, and to provide a wider range of opportunities for agricultural businesses to diversify in innovative and economically beneficial ways.

7.3 The **agri-environment programme** will contribute to the development of the environmental and economic infrastructure of rural Scotland. The **Organic Aid Scheme** will support and encourage the expansion of organic production methods to increase the amount of environmentally friendly agricultural production. The number of beneficiaries participating in the scheme will increase by 2,360, and the area of land under conversion will increase by 944,000 hectares.

7.4 The **Rural Stewardship Scheme** will encourage the adoption of environmentally-friendly farming practices in order to maintain and enhance the landscape, wildlife and historic interests in Scotland's countryside. We estimate that 3,000 new participants will be brought into the Scheme. The area of land being managed, in the interests of conservation, will increase by 150,000 hectares and the area of agricultural land covered by agreements, and protected by Good Farming Practice will increase by 6.7 million hectares.

Based on recent experience of administering agri-environment schemes it is anticipated that we should achieve the following levels of uptake:-

	2000	2001	2002	2003	2004	2005	2006
OAS							
New Participants	290	280	310	440	115	925	500
Hectares under conversion	116,000	112,000	124,000	176,000	46,000	370,000	200,000
RSS							
New Participants	330	525	470	595	218	870	450
Hectares under agreement	99,000	157,500	141,000	178,500	65,400	261,000	135,000
Hectares being managed of which	16,500	26,250	23,500	29,750	10,900	43,500	22,500
Grassland	1,650	2,625	2,350	2,975	1,090	4,350	2,250
Species rich	990	1,575	1,410	1,785	654	2,610	1,350
Wetland	1,650	2,625	2,350	2,975	1,090	4,350	2,250
Moorland	8,250	13,125	11,750	14,875	5,450	21,750	11,250
Field Margins	660	1,050	940	1,190	436	1,740	1,800
Arable	1,320	2,100	1,880	2,380	872	3,480	2,250
Woodland/Scrub	1,650	2,625	2,350	2,975	1,090	4,350	450
Archaeology	330	525	470	595	218	870	

7.5 We estimate that there are potentially around 13,000 producers in Scotland's less-favoured areas who could benefit from support under our new proposals, and the estimated number of hectares covered by potential beneficiaries is calculated at approximately 3 million hectares. The significant amount of Scottish Executive funding for the measure to **support less-favoured areas**, bolstered by very welcome Community support, is indicative of the Executive's commitment to assisting these producers who operate in some of the UK's most disadvantaged land areas.

7.6 We envisage that our proposal will have a crucial impact in two key areas which accord with the objectives set out for the strategy:

7.6.1 **sustaining** agriculture in its traditional areas, which suffer from a number of adverse factors, and thereby helping to support fragile rural communities; and

7.6.2 **encouraging and maintaining** sustainable farming practices which protect the environment, and which provide incentives for compliance with Good Farming Practice.

7.7 The Scottish Executive notes the requirements of Article 43(1) and 48(2) of the Council's Regulation 1257/1999, namely that its Rural Development Plan shall include "provision to ensure the effective and correct implementation of the plans, including monitoring and evaluation". We will monitor the proposals using the common indicators identified for Member States in Working Document VI/12006/00 which, in this initial period, we are forecasting will produce the following results.

LESS-FAVOURED AREAS

			2000	2001	2002	2003	2004	2005	2006
Table 2.1 *	Number of Beneficiaries		11.5k	11.5k	11.5k	11.5k	11.5k	11.5k	11.5k
	Number of Hectares (ha)		2.0m	2.0m	2.0m	2.0m	2.0m	2.0m	2.0m
	Average Amount of Compensatory Payments, per hectare		£30.75	£30.75	£28.95	£27.15	£25.35	£25.35	£25.35
	Amount of Public expenditure	Total	£61.5m	£61.5m	£57.9m	£54.3m	£50.7m	£50.7m	£50.7m
		of which EAGGF	£6.1m (11%)	£6.9m (13%)	£6.8m (13%)	£7.2m (15%)	£7.6m (18%)	£8.0m (19%)	£8.5m (20%)

* = Cross-reference to relevant Evaluation Indicators – see Working Document VI/12006/00

7.8 The Scottish Executive will provide annual reports (first due 30 April 2001) on the results of its ongoing analysis in order to address the requirements of Article 41(b) (1750/1999 Commission Regulation). These will report "the progress of measures and of priorities with respect to their operational and specific objectives, expressed as quantitative indicators" and included updated forecasts to the end of the Plan period.

7.9 **Forestry** expansion will take place in a way that is sensitive to the needs of the environment and of local communities, aiming to achieve a balance between forestry and other land uses. The nature of forestry expansion will vary from place to place with well-designed productive forests being encouraged on better quality land and native woodland being encouraged on areas adjacent to existing native woodlands.

7.10 Past evidence shows that without FWPS only about 40% of the area planted would have proceeded but with very significant reductions in planting on arable and cropping land. Future aid through SFGS:FP under this plan is expected to have a similar impact. Monitoring requirements under SFGS:FP will continue to ensure long term maintenance of the maturing woodland. In providing long term support for farming income forgone, SFGS:FP will also continue to provide a material long term alternative to agricultural production.

7.11 The following table provides the main impacts of the forestry measures within the plan.

Hectares	2000	2001	2002	2003	2004	2005	2006
Afforestation on Agricultural land (Chapter VIII – Article 31)							
Scottish Forestry Grant Scheme (as supported by SFGS:FP)	0	3,000	6,100	8,500	8,000	8,000	8,000
Impacts under Reg. 2080/92	10,200	7,200	4,100	1,000	1,000	500	500
1. Other Forestry Activity (Chapter VIII – Article 30)							
Scottish Forestry Grant Scheme							
i) Afforestation of non-agricultural land	300	300	300	300	300	300	300
ii) Investments in forests	16,000	18,000	20,000	25,000	30,000	30,000	30,000
Impacts under Reg. 2080/92	4,000	2,000	0	0	0	0	0

(Afforestation of agricultural land under Article 31 is outside and inside Objective 1)

(Afforestation of non-agricultural land and investments in forests under Article 30 is outside Objective 1)

CHAPTER 8: FINANCIAL TABLES

8.1 The indicative financial tables in this Chapter reflect both the outcome of the 2000 Government Spending Review, and the Scottish share of the EAGGF Guarantee resources allocated to the UK. The figures for EAGGF contributions have been predicated on the basis of an agreement among the UK Agriculture Departments that Scotland should receive 17% of the UK allocation, and that 60.2% of forecast Forestry Commission receipts should be incorporated in the Scottish Rural Development Plan. The financial tables included in this Chapter have been prepared on this basis.

TABLE 1: FINANCIAL PLANNING TABLE

TABLE 2: NATIONAL 'TOP UPS'

TABLE 3: APPLICATION OF THE APPROPRIATIONS RESULTING FROM NATIONAL MODULATION

TABLE 4: APPLICATION OF THE APPROPRIATIONS RESULTING FROM EUROPEAN MODULATION

TABLE 5: STAND ALONE STATE AIDS

(NB. These tables are all based on EAGGF years e.g. Year 1 (2000) is the EAGGF financial year running from 16th October 2000 to 15th October 2001.)

TABLE 8.1: INDICATIVE FINANCIAL PLANNING TABLE: RURAL DEVELOPMENT PLAN FOR SCOTLAND

(MILLION EUROS)

	Year 1 (2000)			Year 2 (2001)			Year 3 (2002)			Year 4 (2003)			Year 5 (2004)			Year 6 (2005)			Year 7 (2006)			Total		
	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector	Public expenditur	EC contributio	Private Sector
Priority 1																								
Measure (e)																								
<i>Less Favoured Areas</i>	0.00	0.00	n/a	193.58	30.57	n/a	100.16	13.06	n/a	84.04	16.43	n/a	74.74	17.10	n/a	76.31	16.93	n/a	76.82	13.41	n/a	623.22	107.50	n/a
Measure (h)																								
<i>Afforestation of Agricultural land</i>	0.00	0.00	n/a	14.65	7.62	n/a	9.55	5.24	n/a	10.24	5.56	n/a	13.78	7.53	n/a	15.29	8.35	n/a	17.28	9.59	n/a	80.79	43.89	n/a
<i>Previously approved commitments</i>	18.78	10.33	n/a	12.60	6.55	n/a	13.49	6.98	n/a	7.77	3.96	n/a	7.77	3.96	n/a	6.82	3.49	n/a	6.82	3.49	n/a	74.05	38.76	n/a
Total	18.78	10.33	n/a	27.25	14.17	n/a	23.04	12.22	n/a	18.01	9.52	n/a	21.55	11.49	n/a	22.11	11.84	n/a	24.10	13.08	n/a	154.84	82.65	n/a
Measure (i)																								
<i>Other Forestry Measures</i>	0.00	0.00	n/a	0.60	0.30	n/a	1.26	0.63	n/a	3.00	1.50	n/a	2.54	1.27	n/a	3.02	1.51	n/a	3.18	1.59	n/a	13.60	6.80	n/a
Total Priority 1	18.78	10.33	n/a	221.43	45.04	n/a	124.46	25.91	n/a	105.05	27.45	n/a	98.83	29.86	n/a	101.44	30.28	n/a	104.10	28.08	n/a	774.09	196.95	n/a
Priority 2																								
Measure (f)																								
<i>Agri-environment Objective 1</i>	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a
<i>Previously approved commitments</i>	6.68	5.01	n/a	9.94	7.46	n/a	8.55	6.41	n/a	8.19	6.14	n/a	7.45	5.59	n/a	7.93	5.95	n/a	7.46	5.60	n/a	56.20	42.16	n/a
Total Objective 1	6.68	5.01	n/a	9.94	7.46	n/a	8.55	6.41	n/a	8.19	6.14	n/a	7.45	5.59	n/a	7.93	5.95	n/a	7.46	5.60	n/a	56.20	42.16	n/a

<i>Agri-environment Non-Objective 1</i>	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a
<i>Previously approved commitments</i>	8.52	4.26	n/a	11.26	5.63	n/a	11.65	5.82	n/a	10.88	5.44	n/a	8.93	4.47	n/a	9.14	4.57	n/a	7.48	3.74	n/a	67.86	33.93	n/a
<i>Total Non-Obj 1</i>	8.52	4.26	n/a	11.26	5.63	n/a	11.65	5.82	n/a	10.88	5.44	n/a	8.93	4.47	n/a	9.14	4.57	n/a	7.48	3.74	n/a	67.86	33.93	n/a
<i>Total Agri-environment</i>	15.20	9.27	n/a	21.20	13.09	n/a	20.20	12.23	n/a	19.07	11.58	n/a	16.38	10.06	n/a	17.07	10.52	n/a	14.94	9.34	n/a	124.06	76.09	n/a
Total Priority 2	15.20	9.27	n/a	21.20	13.09	n/a	20.20	12.23	n/a	19.07	11.58	n/a	16.38	10.06	n/a	17.07	10.52	n/a	14.94	9.34	n/a	124.06	76.09	n/a
Other Measures																								
<i>Former Measures before 1992</i>	0.18	0.09	n/a	0.14	0.07	n/a	0.10	0.05	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.42	0.21	n/a
Total Other Measures	0.18	0.09	n/a	0.14	0.07	n/a	0.10	0.05	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.00	0.00	n/a	0.42	0.21	n/a
Total Plan	34.16	19.69	n/a	242.77	58.20	n/a	144.76	38.19	n/a	124.12	39.03	n/a	115.21	39.92	n/a	118.51	40.80	n/a	119.04	37.42	n/a	898.57	273.25	n/a

TABLE 8.2: INDICATIVE FINANCIAL PLANNING TABLE: RURAL DEVELOPMENT PLAN FOR SCOTLAND: NATIONAL TOP-UPS
(MILLION EUROS)

Description of measure	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	Year 6 2005	Year 7 2006	Total
Afforestation of agricultural land	0.00	0.34	1.05	1.69	2.17	2.64	2.80	10.69
Less Favoured Areas	0.00	0.00	0.00	17.57	23.65	22.08	0.00	63.30
Total	0.00	0.34	1.05	19.26	25.82	24.72	2.80	73.99

TABLE 8.3

RURAL DEVELOPMENT PLAN FOR SCOTLAND: APPLICATION OF THE APPROPRIATIONS RESULTING FROM NATIONAL MODULATION

(MILLION EUROS)

Description of Measure	Year 1		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		TOTAL	
	2000		2001		2002		2003		2004		2005		2006		L	
	Public	EU	Public	EU	Public	EU	Public	EU	Public	EU	Public	EU	Public	EU	Public	EU
	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
Agri-environment (Obj 1)																
	0.00	0.00	0.30	0.22	4.85	3.64	6.59	4.94	8.74	6.55	6.29	4.72	0.00	0.00	26.77	20.07
Agri-environment (Non-Obj 1)																
	0.00	0.00	0.20	0.10	8.90	4.45	13.28	6.64	18.60	9.30	20.12	10.06	45.76	22.88	106.86	53.43
Afforestation of agricultural land																
	0.00	0.00	0.00	0.00	4.89	2.55	10.80	5.39	8.78	4.30	6.15	3.35	8.04	3.62	38.66	19.21
Total	0.00	0.00	0.50	0.32	18.64	10.64	30.67	16.97	36.12	20.15	32.56	18.13	53.80	26.50	172.29	92.71

Table 8.4**RURAL DEVELOPMENT PLAN FOR SCOTLAND: APPLICATION OF THE APPROPRIATIONS RESULTING FROM EUROPEAN MODULATION****(million euros)**

	Year 6 2005		Year 7 2006		Total	
	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.
Measure C: Training			1.59	0.79	1.59	0.79
Measure F: New Agri-environment, Animal Welfare			11.11	5.56	11.11	5.56
Measure H: Farm Woodland Planning and Management			0.63	0.32	0.63	0.32
Measure J: Farm Visits, Education and Improving Access, Land Management Planning, Re-seeding			9.84	4.92	9.84	4.92
Measure Z: Food Quality Schemes			1.59	0.79	1.59	0.79
Total			24.76	12.38	24.76	12.38

TABLE 8.5: INDICATIVE FINANCIAL PLANNING TABLE FOR SCOTLAND: ‘STAND ALONE’ STATE AIDS

(MILLION EUROS)

Description of Measure	Year 1 2000		Year 2 2001		Year 3 2002		Year 4 2003		Year 5 2004		Year 6 2005		Year 7 2006		TOTAL	
	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.	Public Cost	EU Cont.
Agri-environment PRIORITY 2 (Chapter VI: Articles 22-24)	1.06		2.12		2.19		2.26		3.40		2.35		2.66		16.04	
Total	1.06	-	2.12	-	2.19	-	2.26	-	3.40	-	2.35	-	2.66	-	16.04	-

‘Stand alone’ state aids for the agri-environment programme are used for payments on capital items which are not eligible for EAGGF co-finance

CHAPTER 9: DESCRIPTION OF THE MEASURES CONTEMPLATED FOR IMPLEMENTING THE PLAN

1. This Chapter sets out in detail our proposals for schemes to support agri-environment activity, less-favoured areas in Scotland, and forestry.

2. **Section 9.1** describes Good Farming Practice in Scotland.

Section 9.2 describes the agri-environment programme in Scotland (ie described as Priority 2, Measure 1 in Chapter 6 and the financial tables).

Section 9.3 sets out new arrangements to support less-favoured areas (ie described as Priority 1, Measure 1 in Chapter 6 and the financial tables).

Section 9.4 provides details on support for the forestry sector (ie described as Priority 1, Measure 2 in Chapter 6 and the financial tables).

3. Proposals for the agri-environment programme fall within the scope of Chapter VI; Articles 22-24 of the Rural Development Regulation. The new arrangements for supporting less-favoured areas fall within Chapter V; Articles 13-21 of the Regulation (NB: it is not our intention to provide support for farmers who are operating under environmental restrictions ie Article 16). Our proposals for supporting forestry fall within the scope of Articles 30 and 31 of the Rural Development Regulation.

9.1 GOOD FARMING PRACTICE - SCOTLAND

1. Commission Regulation 1750/1999 lays down the detailed rules for application of the Rural Development Regulation (1257/1999). Under Section 9, which sets out the rules for several measures including agri-environment and less favoured areas, Article 28 states that:

"Usual good farming practice is the standard of farming which a reasonable farmer would follow in the region concerned.

Member States shall set out verifiable standards in their rural development plans. In any case, these standards shall entail compliance with general mandatory environmental requirements."

2. In addition Regulation 1750/1999 states (Article 19) that where a farmer enters into an agri-environmental commitment in relation to part of the farm, she/he shall adhere to at least the standard of good farming practice in relation to the whole of the farm. Also in Chapter V the Council Regulation 1257/1999 (Less Favoured Areas and Areas with Environmental Restrictions) Article 14.2 states that compensatory allowances shall be granted per hectare of areas used for agriculture to farmers who - apply usual good farming practices compatible with the need to safeguard the environment and maintain the countryside, in particular by sustainable farming.

3. The proposed approach will have three elements. First, compliance with existing environmental legislation; secondly, a list of 'verifiable standards' which will be included as conditions for all new agri-environment agreements or LFA allowance payments; and thirdly, all farmers joining agri-environment schemes will have their attention drawn to relevant

codes of good practice and be given copies of the Scottish Executive's Code on Prevention of Environmental Pollution from Agricultural Activity (PEPFAA), and encouraged to comply with the recommendations in them.

4. Scotland has wide-ranging environmental protection legislation, of which the main items are set out below. These items make up the minimum environmental standards for the purpose of other articles of the RDR. This legislation is enforced by other Government Agencies or local authorities and the body responsible for each item is indicated below. Although the Scottish Executive Environment and Rural Affairs Department (SEERAD) staff do not have the expertise to enforce this legislation in detail, when conducting their regular on-the-spot inspections of compliance with the schemes (minimum level 5%) they will carry out a basic check on these items and if they suspect any flagrant breaches of the legislation they will inform the farmer and copy the letter to the relevant authority and ask them to carry out an inspection. Also, arrangements will be made for the authorities which enforce this legislation to notify SEERAD of any cases where farmers are convicted of offences under relevant provisions of this legislation or, in appropriate cases, against whom a statutory enforcement notice has been raised. Where such notification is received in relation to farmers participating in agri-environment schemes (and/or in receipt of LFA allowances), consideration will be given to whether penalties for breach of agreement should be effected, in relation to the objectives of the agreement, or in extreme cases, for exclusion from the scheme. Any penalty would be proportionate to the offence (see section on controls and sanctions of this Plan for details of implementation and penalty application).

5. The verifiable standards of Good Farming Practice are ones which are complementary to existing legislative requirements and are capable of verification by SEERAD staff to EU audit standards as part of our existing checks on 5% of agri-environment scheme participants and LFA farmers. These standards have been chosen so that they are agriculturally practicable and otherwise beneficial throughout Scotland (eg by preventing environmental damage). If these conditions are breached, proportionate penalties will be applied.

6. All farmers joining agri-environment schemes will also be given copies of the Scottish Executive's code "Prevention of Environmental Pollution from Agricultural Activity" (PEPFAA). Farmers will be encouraged to follow the recommendations and advice in this and other relevant codes as far as possible, but compliance will not be subject to 5% checks as the standards are not all verifiable and penalties will not be applied. While compliance with the Code itself will not be subject to 5% checks, as the standards are not all verifiable, compliance with the requirements of anti-pollution legislation will be subject to spot checks. Appropriate penalties will be applied by the relevant agencies and by the courts. SEERAD will be advised of such cases and will consider whether payments should be withheld or recovered.

7. For each of the following headings of good farming practice, a short description of the relevant legislation (the minimum standard) is shown, together with the 'verifiable standard'.

8. No payments will be made under the Schemes for complying with the legislative requirements or with the verifiable standards.

WATER POLLUTION

(a) Legislation

The Control of Pollution Act 1974 (as amended) – Part II deals with the control of entry of polluting matter and effluent into water, and Section 30F sets out the general offence of polluting controlled waters. It is an offence under this section if a person 'causes or knowingly permits any poisonous, noxious or polluting matter or any solid waste to enter any controlled waters'. 'Controlled waters' include the territorial sea, coastal waters, all inland freshwaters and groundwaters. This offence applies to any person and therefore is not specific to agriculture.

Enforcement Agency: Scottish Environment Protection Agency.

Control of Pollution (Silage, Slurry and Agricultural Fuel Oil (Scotland) Regulations 2001 – These regulations are made under section 31A of the Control of Pollution Act 1974 (as amended) and they apply specifically to the agriculture sector in Scotland. They require that where a farmer stores silage, slurry or fuel oil, any structure built or substantially altered since 1991 must comply with criteria specified in the Regulation.

Enforcement Agency: Scottish Environment Protection Agency.

The Groundwater Regulations 1998 - these Regulations complement the implementation of Council Directive 80/68/EEC on the protection of groundwater. They require that the disposal of prescribed substances, which are potentially hazardous in the environment (List I and List II substances), if not controlled under other relevant legislation, must be authorised under this Regulation. Authorisations may only be granted after prior investigation. Lists I and II are set out in the Schedule to the Regulations and are based on the requirements of the lists included in Council Directive 80/68/EEC.

Enforcement Agency: Scottish Environment Protection Agency.

The Water (Prevention of Pollution) (Code of Practice) (Scotland) Order 1997 – this Order approves the Scottish Executive's Code of Good Practice on Prevention of Environmental Pollution from Agricultural Activity.

Enforcement Agency: Scottish Executive

(b) Verifiable Standards

- **Silage and slurry stores:** any farmer who constructs a new silage or slurry storage facility must notify the Scottish Environment Protection Agency before starting to use it. Checks will be carried out to see that this notification has been given for any new stores.
- **Sheep dip:** any farmer proposing to dispose of sheep dip on his land must obtain prior authorisation from the Scottish Environment Protection Agency. Checks will be made to see that either an authorisation has been obtained or that there is a reason why no authorisation is needed in that individual case.

(c) Codes of Good Agricultural Practice

The Scottish Executive's Code on Prevention of Environmental Pollution from Agricultural Activity (PEPFAA).

AIR POLLUTION

(a) Legislation

Clean Air Act 1993 - under this Act it is an offence to burn waste materials in the open on trade premises if the burning produces dark smoke. Land being used for commercial agricultural or horticultural purposes constitutes a trade premises under this Act.

Enforcement Agency: Local Authority.

Hill Farming Act 1946 - the Act states that below 450 metres altitude it is only legal to make muirburn between 1 October and 15 April inclusive. This may be extended to 30 April on the authority of a proprietor or of Scottish Ministers. Above 450 metres the muirburn season is 1 October to 30 April, extendable as above to 15 May.

Enforcement Agency: Scottish Executive and Local Authority.

(b) Verifiable Standard

NONE.

(c) Codes of Good Agricultural Practice

Prevention of Environmental Pollution from Agricultural Authority (PEPFAA).

A Muirburn Code (under revision) (Scottish Natural Heritage).

FERTILISERS AND PESTICIDES

(a) Legislation

The Action Programme for Nitrate Vulnerable Zones (Scotland) Regulations 2003- specific to the agricultural sector, the Regulations bring into effect (in Scotland) the requirement for an action programme under Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources. The Regulations apply within areas designated as 'Nitrate Vulnerable Zones' (NVZs) and impose a number of conditions relating to the application of organic manures, and nitrogen fertilisers to the land including maximum application rates, periods when application is not allowed and other controls in spreading required to protect the environment.

Enforcement Agency: Scottish Executive

Part III of the Food and Environment Protection Act 1985 and the Control of Pesticides Regulations 1986 - provides for the continuous development of means to protect the health of human beings, creatures and plants; to safeguard the environment; to secure safe, efficient and humane methods of controlling pests; and with a view to making information about pesticides available to the public. The Act provides Ministers with powers to regulate the import, sale, supply, advertisement and use of pesticides, both generally and in relation to specific products. Ministers are also empowered to set maximum residue limits, to require information from dealers in, and manufacturers and users of, pesticides and to issue Codes of Practice for the safe use of pesticides on farms and elsewhere. The Act applies throughout the UK.

Enforcement Agency: Health and Safety Executive and Scottish Executive.

Plant Protection Products Regulations 1995 - the Regulations implement Council Directive 91/414/EEC in Great Britain. The Regulations provide for a Community-wide system controlling the sale and supply of plant protection products (mainly agricultural pesticides) in the UK. They also set out conditions to be satisfied for approvals based on mutual recognition, which allows approval to be granted for a use already approved in another Member State provided that the agricultural, climatic and plant health conditions can be shown to be comparable and the active substance(s) have been authorised by the Commission.

Enforcement Agency: Health and Safety Executive and Scottish Executive.

(b) Verifiable Standards

NONE.

(c) Codes of Good Agricultural Practice

Prevention of Environmental Pollution from Agricultural Activity.

Linear Features

(a) Legislation

NONE.

(b) Verifiable Standards

- Hedgerows: trimming of hedgerows on the farm must not be carried out between 1 March and 31 July. Checks will be made through visual assessment for evidence of recent damage at compliance check visits;
- Field Boundaries: removal or destruction of any hedges, stone walls or other boundary features will not be permitted except with the prior written agreement of SEERAD or other appropriate Government Agency. Checks will be made through visual assessment for evidence of recent damage at compliance check visits.

DESIGNATED SITES

(a) Legislation

Wildlife and Countryside Act 1981 - provides a measure of protection for all wild birds, wild plants and certain wild animals. The protection afforded to wild birds reflects that required under Articles 5 and 6 of the Birds Directive (79/409). The Act also provides protection for designated sites (Sites of Special Scientific Interest). Over 1,400 SSSIs have been designated in Scotland, covering over 11% of the total land area. Owners, including farmers and crofters are required to give written notice to Scottish Natural Heritage before carrying out any operation which could damage the special conservation interests of a SSSI.

The Conservation (Natural Habitats etc) Regulations 1994 provide additional protection for certain plants and animals, which reflect the requirement of Articles 12 and 13 of the Habitats Directive (92/43). The Regulations also provide additional protection for SSSIs which are within Special Protected Areas (SPAs) and Special Areas of Conservation (SACs).
Enforcement Agency: Scottish Natural Heritage.

Ancient Monuments and Archaeological Areas Act 1979 (AMAA)
Ancient Monuments (Class Consents) Order 1994 (AMCC)

Section 1 of the AMAA Act empowers Scottish Ministers to designate monuments by placing them on a Schedule. Section 2 of the Act stipulates that works affecting these scheduled monuments require a consent from Historic Scotland. The definition of works is broad and encompasses works, which do not require planning permission including works, which qualify as permitted development. In the context of farming, and crofting, consent is required for change of land use (e.g. ploughing of pasture) within the scheduled area, and for works such as tree or hedge planting or removal, stone clearance, track construction, and agricultural developments otherwise permitted under development control Regulations.

Class Consent 1 of the AMCC Order 1994 pertains to arable or horticultural cultivation, permitting the continuance of cultivation practices which have previously been undertaken within a specified prior period, but excluding tree or hedge planting, subsoiling and drainage. However, the class consent expires where cultivation is suspended for a period of six years and subsequent cultivation requires consent from Scottish Ministers.

Enforcement Agency: Historic Scotland.

(b) Verifiable Standards

- **Sites of Special Scientific Interest:** farmers are required to notify Scottish Natural Heritage (SNH) of any intended operations that are likely to damage statutorily designated SSSIs. It will be a condition of the schemes that participants will not proceed with any such operations without having obtained prior approval from SNH. Checks will be made to see that any damaging operations that appear to have been carried out have had prior approval from SNH.

AGRICULTURAL/FORESTRY MANAGEMENT

(a) Legislation

Forestry Act 1967 - a Felling Licence or approval under a Forestry Commission endorsed Grant Scheme is required by anyone involved in the felling of trees. All work must be undertaken in accordance with the terms of the permission granted by the Forestry Commission.

(b) Verifiable Standards

Tree Felling: Checks will be done to ensure that a Felling Licence has been obtained where appropriate.

Overgrazing: This is defined as '*grazing land with livestock in such numbers as to adversely affect the growth, quality or species composition of vegetation (other than vegetation normally grazed to destruction) on that land to a significant degree*'. Scheme participants will have an obligation to manage their stock in such a way as to prevent damage to sensitive habitats that are important for biodiversity reasons. Examples are juniper and montane scrub, herb-rich swards, already eroded areas and wetland habitats as well as other natural and semi-natural habitats. Because of the enormous variation in conditions that can arise, a single maximum stocking density for the whole of Scotland would not be appropriate. Instead, cases of suspected overgrazing which are identified in the course of

- routine 5% checks by Agricultural staff;
- checks carried out for other purposes by Agricultural staff; or
- by other environmental agencies

will be referred to professional staff for investigation. For the LFA measure, the Department's Risk Analysis System will be used to trigger physical inspections of all LFA farmers stocking at levels which may cause overgrazing. All farms with a stocking density of 1.4 LU/ha or above will be subject to physical inspection in 2001, or in the year in which this trigger point is first exceeded, and at least once every three years thereafter. Furthermore in areas where experience shows that overgrazing can occur at a lower stocking density, as a result of altitude, exposure or other relevant factors, SEERAD will initiate physical inspections at a more appropriate stocking level. Physical inspections will involve a site-specific appraisal of whether overgrazing is occurring and will ascertain the causes. If overgrazing is identified, a management regime including a maximum (and, where appropriate, a minimum) stocking rate to be observed on that site will be prescribed. A follow-up visit will be undertaken to ensure compliance with the prescribed management regime and stocking limits. Failure to observe the stocking limits specified in the management regime would be a breach of Good Farming Practice requirements.

Supplementary Feeding: in some cases no supplementary feeding is permitted under the terms of the agreement. Where it is permitted, the feed must be provided in such a way that the vegetation is not excessively trampled or poached by animals or rutted by vehicles used to transport feed. Cases of suspected unsuitable supplementary feeding will be investigated and failure to follow advice thereafter would be a breach of this condition.

Undergrazing: in relation to participants in agri-environment schemes which involve livestock farming, there will be provisions to implement Article 12 of Regulation 1750/1999, ie to ensure that livestock are distributed across the farm in such a way that both overgrazing and under utilisation are avoided. Under-utilisation is defined as "Land where there is evidence of the annual growth not being fully utilised, or scrub or coarse vegetation is becoming evident, and such changes are detrimental to the environmental interest of the site". In addition, under the LFA measure a minimum stocking density per hectare will apply as a condition of that measure, unless a lower stocking density is required by agri-environment measures or other recognised environmental prescriptions eg on designated sites.

(c) Codes of Good Agricultural Practice

Prevention of Environmental Pollution from Agricultural Activity.

GOOD ANIMAL HUSBANDRY

Animal owners and keepers must ensure good welfare of their animals

(a) Legislation

The Welfare of Farmed Animals (Scotland) Regulations 2000 – laying down the legislative standards for the welfare of farmed animals.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2002 – laying down special conditions for laying hens.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2003 – laying down special conditions for pigs.

Enforcement Agency: Local Authority

(b) Verifiable Standards

- Animals must not be caused any unnecessary pain or suffering.
- Animals must be inspected at regular intervals.
- Animals kept in buildings must have access to a well maintained drying area.
- Animal buildings must be constructed in a way that will not be harmful to animals.
- Where necessary artificial light must be provided and animals should not be kept without an appropriate period of rest from artificial light.
- Animals must be fed a diet of sufficient quality and quantity to maintain them in good health and to satisfy their nutritional needs.
- All animals must have access to feed at appropriate intervals (at least once a day) and a suitable water supply or to be able to satisfy their fluid intake by other means.
- Movement of animals should not be restricted in such a way as to cause them unnecessary suffering or injury.

Competence of animal keepers

(a) Legislation

The Welfare of Farmed Animal (Scotland) Regulations 2000 – laying down the legislative standards for the welfare of farmed animals.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2002 – laying down special conditions for laying hens.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2003 – laying down special conditions for pigs.

Enforcement Agency: Local Authority

(b) Verifiable Standards

- Keepers of animals must not attend to them unless they have access to the appropriate Statutory Welfare Codes and are knowledgeable about the provisions within the Codes.

Care of ill or injured Animals

(a) Legislation

The Welfare of Farmed Animal (Scotland) Regulations 2000 – laying down the legislative standards for the welfare of farmed animals.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2002 – laying down special conditions for laying hens.

Enforcement Agency: Local Authority

The Welfare of Farmed Animals (Scotland) Amendment Regulations 2003 – laying down special conditions for pigs.

Enforcement Agency: Local Authority

(b) Verifiable Standards

- Ill or injured animals must be cared for appropriately without delay and, where necessary, veterinary advice must be obtained as soon as possible.
- Records must be maintained of the medicinal treatment given to animals and of the number of mortalities.

9.2: AGRI-ENVIRONMENT (PRIORITY 2, MEASURE 1)

Strategic objectives for agri-environment

9.2.1 This section of Chapter 9 describes a new agri-environment measure, the Rural Stewardship Scheme, which will replace the Environmentally Sensitive Area (ESA) and Countryside Premium (CPS) Schemes previously approved under Regulation 2078/92. The CPS closed for applications on 31 July 2000, and the ESA scheme will be closed to new applications once this plan is approved. This section also describes the Organic Aid Scheme (OAS) which will be continued during the lifespan (2000-2006) of this Plan. The RSS and OAS are designed to contribute to the Government's environmental objectives for agriculture. They are designed to protect and enhance Scotland's wildlife, habitats, landscape (including archaeological and historic features) and the natural resources of the countryside. They will also contribute to Community objectives (including the Habitats and Birds Directives), to the implementation of the UK Biodiversity Action Plan and to the UK Sustainable Development Strategy. Amendments were made to the Schemes in 2002 in order to improve their effectiveness.

9.2.2 The Rural Stewardship Scheme is a whole farm scheme which will cover all of Scotland's agricultural land. By supporting the adoption of environmentally-friendly farming practices the scheme will deliver a wide range of environmental benefits as well as contributing to the development of tourism, the wider rural economy (eg through demand for up-stream inputs and services) and the maintenance of farming activity through increases in household incomes.

9.2.3 Agri-environment schemes are mandatory under the RDR. The schemes have an important role to play in promoting sustainable agriculture and the preservation and enhancement of the natural environment in Scotland's rural areas. The schemes contribute to rural development in a number of ways. Amongst the benefits of the policy are:-

- (a) The policy is valued by the public (this has been demonstrated by a number of CV studies);
- (b) There are demonstrable benefits to the environment;
- (c) The income is valuable to the farming family and can "pump prime" other economic activities;
- (d) There are benefits to the wider rural economy eg through employment of contractors, green tourism; and
- (e) Funding can help retain/develop rural skills eg dyking, hedge management.

Contribution to International, EU and National Policy Objectives

9.2.4 As indicated in section 6.1.7, the agri-environment schemes already contribute to a wide range of policy objectives, for example Natura 2000 (through supporting management of designated sites), and biodiversity. The focus on such policy objectives will be sharpened through the arrangements planned for the Rural Stewardship Scheme which will involve applications being scored against a hierarchy of conservation criteria including contribution

to implementation of the Habitats and Wild Birds Directives, management for the priority species and habitats identified in the UK Biodiversity Action Plan, management of designated sites of Special Scientific Interest and management for the benefit of species covered by local Biodiversity Action Plans.

9.2.5 Duration

9.2.5 Seven years.

Consultation

9.2.6 The RSS has been drawn up following a wide-ranging consultation exercise involving around 120 organisations and individuals. Following consideration of 63 written submissions (including those from key farming, conservation and land owning interests) a series of bi-lateral meetings was held with key players to discuss the scope and structure of the proposed scheme. The process was rounded off with a seminar in February 1999 at SEERAD HQ attended by key environmental, farming and land-owning interests to discuss the detail of the proposed management prescriptions.

Justification for Management Prescriptions

9.2.7 Because of the nature of the terrain, climatic and other factors, agriculture in Scotland is generally less intensive. Nonetheless, there has been pressure on internationally and nationally important habitats, and some losses of biodiversity. The management prescriptions cover the habitats of conservation value likely to be found on farmland in Scotland. The need for, and the expected benefits from, each of the groups of prescriptions is as described below.

Prescriptions predominantly for birdlife

This group of prescriptions encourages various types of grassland management techniques that will benefit farmland bird species, many of which have shown declines in Scotland. The late mowing and specified mowing pattern of grass crops is particularly important for the corncrake (listed under Directive 79/409/EEC the 'Wild Birds Directive') as this provides shelter to nest and raise broods and minimises the risk of death or injury from the mower.

Prescriptions for species rich areas

This group of prescriptions encourages management that improves the quality of, or increases the quantity of, species-rich grasslands and heathlands, particularly through careful assessments of stocking density and duration of grazing. The controlled timing of grazing aims to maintain dwarf shrubs on heathland and the variety of flowering plants in grasslands. A relevant habitat within the Habitats Directive is alpine calcareous grassland, a species-rich habitat requiring appropriate grazing to maintain its interest.

Prescriptions for wetland features

The practice of digging new drains and modifying existing drains can lower the water table and result in the loss of wetland plants and associated fauna. In addition heavy grazing along side water margins can cause erosion and unwanted enrichment. This set of prescriptions attempts to encourage the greatest possible diversity and richness in the vegetation as well as creating suitable habitats for wading birds, by appropriate conservation and water management. In addition the appropriate management of lowland raised bogs (Annex I Directive 92/43/EEC the 'Habitats Directive') is included.

Prescriptions for moorland

This group of prescriptions addresses the range of moorland practices that are carried out. Appropriate stocking density is important in the sympathetic management of heather moorland, and this scheme encourages a low intensity to maintain or increase the cover of dwarf shrubs and the associated birds and insects. This set of prescriptions also covers muirburn, and only allows those areas of moorland that are suitable for burning to be included. A relevant habitat for these prescriptions within the Habitats Directive is dry heath.

Prescriptions for field margins and boundaries

This set of prescriptions includes the creation of areas for insects and birds around arable fields where they can feed. This will help address the UK decline in farmland birds. The other type of boundary, hedgerows, are also included here. This is an important habitat for a wide range of wildlife and can act as a corridor through farmland for many species, allowing dispersal to other habitats.

Prescriptions for arable fields

This includes a suite of three prescriptions for different arable regimes. Two are aimed principally at increasing the feeding areas for farmland birds by amending cropping patterns. The third prescription is for machair. This habitat is listed under the Habitats Directive and the management prescribed generally promotes the traditional practices desirable for this habitat.

Prescriptions for woodland and scrub

Much of the original woodland cover on Scotland has been lost. It is thus desirable to maintain the remnants of woodland that exist in the landscape and the maintenance of native or semi-natural trees and scrubby vegetation is part of this scheme. These woodlands support a range of wildlife and the proposal to reduce grazing pressure will allow the regeneration required to maintain these woodlands. A relevant habitat within the Habitats Directive is Caledonian forest.

Prescription for Historic and Archaeological Sites on Farmland

The Protection of Sites of Historic and Archaeological Interest is incorporated in the General Environmental Conditions of the Scheme.

Over and above this management of archaeological sites on farmland will prevent further national deterioration of these features, ensure a range of types of examples are retained in reasonable condition across the country and encourage awareness and existence of the sites and enhance their condition in the light of appropriate guidance from a professional archaeologist.

Small Unit Prescriptions

The traditional manner of management of small units in crofting townships is rapidly changing, particularly as cattle numbers decrease and are replaced by sheep.

By introducing planned management measures covering grazing, winter feed and crop production as well as stock management for the entire unit, a return to a mosaic of habitat types should result. Such mosaics will provide feeding, nesting and breeding areas for birds in close proximity. The introduction or retention of native breeds of cattle will help facilitate the process of providing or sustaining biologically diverse habitats.

Eligibility

9.2.8 As with the previous EC agri-environment regulation (Regulation 2078/92), the Rural Development Regulation stipulates that agri-environment schemes shall apply only to agricultural land. Applications from farmers, crofters and Common Grazings Committees will be accepted.

Good Farming Practice (GFP)

9.2.9 GFP will apply to all participants. No payment will be made for compliance with GFP: failure to comply will constitute a breach of Scheme conditions and will result in action being taken in accordance with normal breach procedures.

Environmental Audit

9.2.10 This is a feature which was first introduced as part of the Countryside Premium Scheme. The approach has found widespread favour with conservation bodies. The audit has value not only as a mechanism for identifying environmental features on the farm/croft but also as a potentially useful long-term tool in conservation management.

Payments

9.2.11 The scheme will provide a combination of annual payments for the management or creation and management of habitat sites. It will also provide payments for capital works and certain other items such as environmental audits and related matters. Details of the management prescriptions, capital items and payment rates are contained in the Annex. The management payments take account of profit foregone and cost incurred: in a few cases an incentive element has also been included where this has been judged desirable to encourage greater uptake of the measure. For applications approved in 2001 and 2002, the capital payments are exclusively state-aided and are not subject to EU funding. Following approval

of the 2002 SRDP amendment, payment for capital items are made on an annualised basis over 5 years for applications approved from 2003.

Area based limits

9.2.12 The new Scheme will not include ceilings on payments. It will, however, recognise the fact that certain economies of scale arise as the area under management increases. Therefore, the full management payments will be made for areas of inbye land of up to 100 hectares managed under the Scheme prescriptions and in addition for areas of up to 1,000 hectares of rough grazings (including moorland). For common grazings, the full management payments for prescriptions will be made for up to 2,000 hectares. Where these limits are exceeded all management payments for prescriptions relating to inbye land, rough grazings (including moorland), or common grazings, whichever applies, will be scaled back to 80%. As far as stock disposal is concerned there will be an area limit of 250 hectares.

Application Period

9.2.13 Applications to join the RSS will be accepted at any time of the year but only applications received by 31 March in any year will be considered for approval in that calendar year. Approvals will be issued by September each year. These arrangements are necessary for operation of the system for prioritising of applications using the ranking system if the scheme is over-subscribed. They also allow control of the level of commitments and expenditure and allow conservation advisers to draw up proposals at the appropriate time of the year. SEERAD field staff will be able to undertake the pre-approval inspection at a time of the year when ground conditions will enable the content of the conservation proposals to be verified.

Ranking System

9.2.14 The CPS was the first agri-environment scheme in Scotland to be operated on a discretionary basis. A ranking system, based on locally-agreed conservation priorities, enabled the Department to select those applications likely to deliver the greatest conservation benefit. With demand for resources exceeding the funding available, continuation of the discretionary approach is essential. Given our experience of operating the current system over the past 2 years the ranking formula has been refined and additional factors built into the eligibility criteria. The new system lays greater emphasis on the extent to which applications contribute to the Government's international and national conservation objectives and to its environmental objectives for agriculture which seek to protect and enhance Scotland's landscape (including archaeological and historic features) and the wildlife, habitats and natural resources of the countryside. The arrangements give preference to applications which include the management of sites which are designated under the EU Birds and Habitats Directive, where the management would benefit species in the UK Biodiversity Action Plan, and sites which are subject to national designations (eg SSSI) or where species in a local BAP would benefit. We have also sought to remove the criticisms of the ranking of CPS applications suffered by farmers or crofters not able to accrue sufficient points to gain entry with units too small to have the variety of management prescriptions. The system will aim to avoid undue geographical concentration of the environmental benefits of the scheme and should create a fairer balance between large and small units by giving extra points for the management of habitats that are more readily found on small units or crofts.

Collaborative Applications

9.2.15. The RSS and its predecessor Schemes have been substantially beneficial in promoting environmentally-friendly management on individual farms and crofts. The RSS has also, to a degree, encouraged farmers and crofters to collaborate to secure environmental benefits over a wider area by supporting joint management of boundary and riparian features such as hedges, water margins and flood plains.

9.2.16. "Custodians of Change", the report of the Agriculture and Environment Working Group (established following publication of "A Forward Strategy for Scottish Agriculture" in June 2001) identifies support for local collaborative action as a key means of securing biodiversity, diffuse pollution control, and landscape benefits across wider areas of the countryside, where these issues need to be addressed.

9.2.17. The benefits of local collaborative action include, for example:-

- management of important biodiversity features which depend on action by more than one farmer or crofter (e.g. wetland or raised bog areas which straddle farm boundaries, or are sensitive to change in management on an adjoining or nearby farm), thus increasing the Scheme's potential to contribute to meeting international and national nature conservation objectives such as the Habitats and Wild Bird Directives;
- co-ordinated action to farm in a way which protects particular catchments from pollution and eutrophication, so increasing the Scheme's capacity to improve water quality and contribute to achieving the objectives of e.g. the Water Framework Directive;
- delivery of landscape-scale visual impact; and
- the creation of wildlife corridors across the countryside and provision of life cycle needs e.g. provision of habitats supplying feeding and breeding sites for species.

9.2.18. The responses to a wide-ranging consultation exercise carried out by the Executive in March 2003 identified widespread support for the introduction of arrangements to encourage collaborative applications to joint the RSS. Accordingly, for the application period beginning 1 April 2004 the Executive will accept, on a pilot basis, collaborative applications from groups of farmers or crofters where such applications would deliver biodiversity, pollution control or landscape benefits that could not be achieved through applications from individual farmers or crofters. While the agri-environment undertaking will be with the individual farmers and crofters participating in the collaborative application, there will require to be a single environmental audit for the entire area covered by the individual holdings participating in the collaborative application.

Period of Agreement

9.2.19 EC Regulations stipulate that the minimum period for an agreement should be 5 years. For the CPS, we adopted this minimum period although the aim is to encourage farmers and crofters to remain in the scheme for 10 years. There is however, no commitment on either

side to go beyond the first 5 year period. This approach has been generally welcomed but some responses to the consultation exercise (mainly conservation interests) have suggested that a 5 year agreement is not sufficient time for conservation benefits to accrue. The NFUS agree that a 5 year agreement in farming circumstances, is reasonable. The period of agreement adopted in the past for both ESAs and CPS remains for the new merged scheme ie a 10 year agreement with a break after 5 years, when either party has the option to terminate the agreement without penalty.

Participants in existing agri-environment schemes

9.2.20 Participants in existing schemes may remain in that scheme until the period of the agreement expires, if they chose to do so. Those who decide to apply to join the RSS, and are successful, will have a new (and separate) agri-environment agreement which will be RDR compliant.

Combinations of undertakings

9.2.21 Applicants may join more than one agri-environment scheme in certain circumstances. For example, those receiving payments under the Organic Aid Scheme or ESAs may enter an RSS agreement where this will give additional environmental benefits and there is no conflict in the management requirements. Steps are taken under this measure to ensure that payments are not made for actions which duplicate those for which payments are made under any other schemes eg Arable Area Payment Scheme. In all cases the maximum amounts specified in the Annex to Regulation 1257/1999 will be respected. This is ensured by means of a case by case check. For areas under agreement which receive payment for more than one management option and/or are under both the RSS and ESA, the two payments will be added together to ensure they do not breach the annual ceiling for co-financed aid per hectare, according to the three categories of land specified in the Annex to Regulation 1257/1999. (The same approach applies for options within a scheme). Any excess over the ceiling will be paid as a top up state aid. However, exceeding this limit is highly unlikely and for that reason no budgetary provision is made in the financial table. If this becomes necessary, the Scottish authorities will submit a modification to the Plan. Where the OAS and RSS or ESA are combined, reductions to the OAS rate – due to dual funding considerations are applied. In this case there is no possibility of going over the ceiling and so no top up state aid is paid.

Aid Intensity

9.2.22 Payments are wholly funded from public ie EU and national funds.

Community Contribution

9.2.23 The Community contribution under this Scheme will be 50% of total eligible public expenditure (75% in Objective 1).

Management options

9.2.24 The approach closely follows the system first adopted for the CPS whereby applicants chose management prescriptions which have been identified from the environmental audit as being of conservation value on the farm/croft. In the course of the consultation exercise, we

received a wide range of suggestions from organisations for new management options. We have had wide-ranging discussions with farming and conservation interests and the range of options now proposed has a very broad measure of support. In particular we propose a number of options relevant to arable based farms.

Monitoring

9.2.25 The monitoring of agri-environment schemes is a requirement of EC Regulations. Two agri-environment monitoring contracts have been awarded, both of which have focussed on ESAs. The main contract is now half way through its 10 year life. A 2 year study to assess the agricultural and socio-economic impact of ESAs is almost complete. At present, there are no arrangements in place for monitoring the CPS but the requirement for monitoring is inescapable. We will come forward within 6 months of the date of approval of this Plan with detailed plans for monitoring both the established management set-up under the CPS and for the RSS.

Agri-environment Targets

9.2.26 After a relatively slow start, uptake of agri-environment schemes under Regulation 2078/92 has picked up markedly in Scotland in the last 3-4 years. The number of farmers participating in such schemes is now 4,200 and 1.1m hectares of land are under agreement. Expenditure in the current financial year is expected to be almost £19m compared with £2.6m in 1995-96.

9.2.27 The motivation behind farmers' decisions on whether or not to join agri-environment schemes is not well understood. It is a reasonable assumption that when incomes are under pressure (as is currently the case in Scotland) such schemes will be more attractive to farmers in that they provide a guaranteed income stream for 5 or more years in the future. Conversion to organic production methods also holds out the possibility of a premium on returns from the market place. What is not clear at present is the likely impact on current levels of uptake of the additional conditions contained in the Implementing Regulation (1750/1999) for example on the application of Good Farming Practice and the requirement for retention and management of grassland.

PRESCRIPTIONS FOR THE RURAL STEWARDSHIP SCHEME

The following general points apply to the prescriptions.

- All dates quoted are inclusive.
- When the phrase “pesticides and herbicides” is used it refers to all products applied directly to vegetation for the control of agriculturally undesirable animals and plants. When the reference is only made to “pesticides” it is not intended to include herbicides.
- All natural and semi-natural habitats will receive protection under the scheme's general environmental conditions. It is not therefore considered necessary in this document to repeat the fact that there will be no supplementary feeding/agricultural improvement/application of pesticides and herbicides/application of fertiliser in specific prescriptions relating to semi-natural or natural habitats.

9.2.31 A wide range of interpretation will be placed on the site criteria quoted eg in the context of corncrake prescriptions unimproved grassland would include nettle and iris beds and in the terms of historic sites old orchards would be considered as historic sites.

1. PRESCRIPTIONS PREDOMINANTLY FOR BIRD LIFE

Prescription 1.1: Extensive Management of Mown Grassland for Birds

Aim: To encourage the management of hay and silage fields for the protection of ground nesting birds, their eggs and fledglings.

Site criteria: A field used for growing an extensive crop of hay or silage.

- Management requirements:*
- a. The field must not be rolled, harrowed or grazed between 15 March and 30 June or until the crop has been secured, whichever is the later.
 - b. Mowing or the reintroduction of grazing must not take place before 1 July.
 - c. To minimise the risk of damage to young birds, hay and silage must be cut in accordance with scheme guidance.
 - d. Artificial fertiliser must not be applied to the field before 15 May or 1 June where later-nesting ground-nesting birds and young may be found. Farmyard manure and slurry must not be applied between 28 February and 15 May, or 1 June where later-nesting ground-nesting birds and young may be found.
 - e. Leave a strip of uncut grass 2m wide around the field boundary. Pesticides and herbicides may be applied to this strip only with the prior written agreement of Scottish Ministers.

Some BAP species that may benefit: Corn bunting, Skylark, Grey Partridge and Brown hare.

Other important (bird) species: Lapwing, Curlew, Yellow hammer and Twite.

Payment rate £150 per hectare.

Prescription 1.2: Management of Open Grazed Grassland for Birds

Aim: To encourage the management of grazing land for the protection of ground nesting birds, their eggs and fledglings.

Site criteria: Areas of open in-bye grassland, subject to winter grazing to produce a short sward, and with little or no tree cover around the site.

- Management requirements:*
- a. Livestock must be excluded for 6 consecutive weeks between 15 March and 15 June, or restrict livestock to 1.4 LU/ha during the whole period.
 - b. Harrowing or rolling must not be carried out between 1 April and 31 July.
 - c. Artificial fertiliser must not be applied to the field before 15 May. FYM and slurry must not be applied between 28 February and 15 May.
 - d. Pesticides may be applied only with the prior written agreement of the Scottish Ministers.
 - e. Topping must not be carried out before 31 July.
 - f. Leave a strip of uncut grass 2m wide around the field boundary. Pesticides and herbicides may be applied to this strip only with the prior written agreement of Scottish Ministers.
 - g. The intensity of grazing between 15 March and 15 June should be sufficiently low as to avoid damage to nests of ground-nesting birds.

Some BAP species that may benefit: Corn bunting, Skylark, Nightjar, Grey Partridge and Brown hare.

Other important (bird) species: Lapwing, Curlew, Dunlin and Twite.

Payment rate: £110 per hectare.

Prescription 1.3: Extensive Management of Mown Grassland for Corncrakes

Aim: Using a combination of this prescription and prescription 1.4, to create or maintain the conditions essential for Corncrakes to breed successfully. In the case of this prescription, areas of cover suitable for Corncrakes to nest and raise broods will be established by excluding stock from hay or silage fields from 15 May. Cutting of these areas will be delayed until on or after 1 August to ensure that the majority of chicks are old enough to escape from the mower. Mowing must be carried out in a 'bird-friendly' manner in accordance with Scheme guidance to minimise risk of injury.

Site Criteria: A field used for growing an extensive hay or silage crop which is next to an early/late cover area managed for Corncrakes or unharvested crop managed under the scheme.

- Management requirements:*
- a. The field must not be rolled, harrowed or grazed between 15 May and 31 July. Where ground nests are present before 15 May, the nests should be marked and avoided.
 - b. Mowing must not take place prior to 1 August.
 - c. To minimise the risk of injury to young birds, hay and silage must be cut in accordance with Scheme guidance. A strip of uncut grass 2 metres wide must be left around the field boundary; and
 - d. Pesticides and herbicides may be applied to the strip of grass 2m wide around the field boundary only with the prior written agreement of Scottish Ministers.

Some BAP species that may benefit: Corncrakes, Brown hare, Corn bunting.

Other important (bird) species: Curlew, Meadow pipit.

Payment rate: £260 per hectare.

Prescription 1.4: Management of Early and Late Cover for Corncrakes

Aim: Using a combination of prescriptions 1.3 and this prescription, to create or maintain the conditions essential for corncrakes to breed successfully. In the case of this prescription, to provide cover not only for corncrakes arriving back from wintering grounds in April and May but also sanctuary late in the season when most of the surrounding grassland has been cut and/or grazed.

Site Criteria: Reverted improved grassland or unimproved grassland on the inbye with clumps of tall vegetation such as iris, nettles, cow parsley or rush. Each individual site must be at least 0.15 hectare in size and not be more than 1.0 hectare subject to a maximum area per undertaking of 5 hectares. Such sites must be adjacent to mown grassland managed for corncrakes under this scheme.

Management requirements:

- a. No grazing of the area between 28 February and 30 September except with the prior written agreement of Scottish Ministers.

b. Grazing not to exceed 0.3 LU/ha at other times on these sites except with the prior written agreement of Scottish Ministers.

c. Cutting of the area only to be undertaken with the prior written agreement of Scottish Ministers.

d. To minimise the risk of injury to young birds, hay and silage must be cut in accordance with the scheme guidance on 'bird-friendly' mowing.

Some BAP species that may benefit: Corncrakes, Reed bunting.

Payment Rate: £160 per hectare.

Prescription 1.4a: Creation & Management of Early and Late Cover for Corncrakes

Aim: To create or extend areas of early and late cover, contiguous with mown grassland managed for corncrakes under the Rural Stewardship Scheme in order to provide the conditions essential for corncrakes to breed successfully. The cover will provide for not only corncrakes arriving back from wintering grounds in April and May but also sanctuary late in the season when most of the surrounding grassland has been cut and/or grazed.

Site requirements: Improved grassland or arable land on which damp conditions are created for the establishment of iris beds and other tall vegetation. Where iris is not available locally, other appropriate tall vegetation may be utilised but only with the prior written agreement of the Scottish Ministers. Such sites must be adjacent to mown grassland managed for corncrakes under this scheme. The total area of early and late cover, which may a combination of existing and created cover, must extend to at least 0.10 hectare, sited on one or more blocks of land adjacent to the mown grassland. The total area created and managed under this option must not exceed 1 hectare.

Management Requirements:

a.. The site must be managed to ensure that it is normally in damp condition for a significant proportion of the year;

b. Only with the prior written agreement of the legal occupier, dig up and collect iris from existing beds. Mix the iris rhizomes with farmyard manure in at least equal proportions by volume

and spread the mixture over the site to a depth of at least 20 centimetres.

c. No grazing is permitted between 28 February and 30 September, except with the prior written agreement of the Scottish Ministers;

d. At other times, grazing must not exceed 0.3 livestock units per hectare, except with the prior written agreement of the Scottish Ministers; and

e. Cutting of the area may only be undertaken with the prior written agreement of the Scottish Ministers.

Some BAP Species that may benefit: Corncrakes, Reed bunting

Payment Rate: £718 per hectare

Prescription 1.5: Management of Wet Grassland for Waders

Aim: To provide suitable breeding and feeding grounds for wading birds and provide protection for their eggs and fledglings.

Site criteria: Inbye wet grassland.

Management requirements:

- a. Livestock to be excluded for 6 consecutive weeks from 1 April to 15 June. The intensity of grazing within the 10 week period should be sufficiently low as to avoid damage to nests of ground nesting birds.

OR

if no barrier exists between the site and adjoining pasture, overall grazing levels should not exceed 1.4 LU/ha for the selected 6 week period.

- b. If rushes occur within the site there must be an agreed programme of cutting, grazing or, exceptionally, herbicide treatment to prevent the rushes dominating the site. However, *all* rushes should not be removed from the site.

- c. Artificial fertiliser or slurry must not be applied to the site. FYM must not be applied between 28 February and 15 May.

Some BAP species that may benefit: Reed bunting, Narrow-bordered bee hawk-moth.

Other important (bird) species: Redshank, Snipe, Curlew, Lapwing and Oystercatcher

Payment rate: £100 per hectare.

2. PRESCRIPTIONS FOR SPECIES RICH AREAS

Prescription 2.1: Management of Species-Rich Grassland

Aim: To encourage the growth and spread of flowering plants and other species in natural grassland which act as a food supply for insects and a seed source to ensure the continuation of the species.

Site criteria: Species rich grassland or unimproved grassland on inbye land or grazed machair.

Management requirements: a. i. The site must not be grazed or mown for a period of at least 3 consecutive months between 15 March and 15 August;

OR

a. ii. Where the particular conservation interest of the site would not be met by this approach, a livestock management and grazing regime should be set out in a grazing plan to be agreed with Scottish Ministers.

b. After 15 August, the grass must be grazed down or topped.

c. The site must not be used for supplementary feeding of stock.

d. Farmyard manure or lime may be applied only with the prior written agreement of Scottish Ministers.

Some BAP species that may benefit: Nightjar, Skylark, Marsh fritillary, Pearl-bordered fritillary and Great yellow bumblebee.

Payment rate: £100 per hectare.

Prescription 2.2: Bracken Eradication Programme

Aim: To eradicate bracken from an area of species-rich grassland, coastal or lowland heath and thus allow the species-rich grassland, coastal or lowland heath vegetation to re-establish itself.

Site Criteria: Species-rich grassland or unimproved grassland or conservation interest on inbye land, coastal or lowland heath identified in the Environmental Audit as bracken-invaded.

Management requirements: Carry out a systematic programme of treatment and follow-up, where necessary using an approved herbicide, in accordance with a Bracken Eradication Programme laid out in an approved BEP Management Plan.

- a. In year 1, prepare a detailed BEP Management Plan that will incorporate a map drawn to a scale of 1:10000 showing the extent of the invasion, the areas of bracken to be cleared over the life-time of the Scheme plan, an estimate of the percentage cover and frond density of the bracken within each area at full frond stage (mid/late June on the West Coast to early August in the eastern Borders) and the locations of any sensitive species and habitat with appropriate buffer zones to ensure their conservation. Where cutting is to be the means of control, no buffer zones are required, but the map must show any areas with sensitive species and habitats and where birds are known to nest on the ground.
- b. As soon as the detailed BEP Management Plan has been prepared, complete and submit the standard multi-agency application form (with a copy of the BEP Management Plan scale map showing the area(s) to be treated) to SEPA. Copies should be sent to SNH and the Local Authority Environmental Services. The applicant (or contractor) will need to allow the consultees at least 15 working days to consider and respond to the application for consent.
- c. Submit letters of consent and the final version of the BEP Management Plan with SNH-approved map to SEERAD as part of the claim for the first year's BEP management payment.
- d. In year 2, or exceptionally in year 1 if all the requirements detailed in paragraphs a, b and c have first been met, the applicant or contractor must carry out primary treatment involving the treatment of dense bracken with an approved herbicide using an appropriate method or by cutting three times during the growing season. It will be the applicant's responsibility to ensure that the required prior notice is given to all statutory consultees in advance of any aerial spraying and that the contractor is provided with a copy of the map to ensure that treatment is carried out in accordance with the BEP Management Plan.
- e. Follow-up action may be necessary involving repeated annual treatment to clear any bracken regrowth. Where chemical control is used, this normally requires a spot-treatment

approach. Where cutting is the means of control, the programme of three treatments a year must continue for the duration of the BEP Management Plan.

Some BAP species that may benefit: Northern brown argus, Juniper, Slender Scotch burnet and Skylark.

Payment rate: £26 per hectare

Prescription 2.3: Creation and Management of Species-Rich Grassland

Aim: To convert improved grassland to species diverse grassland by restricting the agricultural use.

Site criteria: Arable land and improved grassland.

- Management requirements:*
- a. Any existing grassland cover must be destroyed.
 - b. An agreed programme to establish a new sward must be implemented. This may include measures to reduce fertility and address weed problems.
 - c. The site must be sown with a low productivity grass and herb mix agreed with SEERAD to create a new sward. Seed of local provenance should be used wherever possible and must be of at least UK stock.
 - d. Except during years 1 to 3, the site must not be mown or grazed between 15 April and 15 August. During years 1 to 3, on fertile sites, mowing, with disposal of cuttings, may be required. In such cases, mowing may be permitted after 1 July with the prior written agreement of Scottish Ministers.
 - e. After 15 August, the grass must be grazed down or topped.
 - f. The site must not be used as a site for supplementary feeding of stock.
 - g. Fertiliser, slurry or manure must not be applied to the site.
 - h. Pesticides and herbicides may be applied only with the prior written agreement of Scottish Ministers.

Some BAP species that may benefit: Great yellow bumblebee and Skylark.

Payment rate: £189.26 per hectare

Prescription 2.4: Management of Coastal Heath

Aim: To encourage the regeneration of native heathland plants and small grassland herbs found on coastal heaths.

Site criteria: Unimproved land bordering the sea containing characteristic moorland or species rich grassland vegetation dependent on salt spray or exposure.

- Management requirements:*
- a. Livestock must be excluded between 1 April and 31 August.
 - b. The site must be grazed between 1 September and 30 November at a level only sufficient to remove rank growth and lightly crop any dwarf shrubs; in any event, no more than 1.2 LU/ha.
 - c. Between 1 December and 31 March, any grazing is optional and must not exceed 0.15 livestock units per hectare, except with the prior written agreement of Scottish Ministers.
 - d. The site must not be burnt except with the prior written agreement of Scottish Ministers.
 - e. Fertiliser, slurry or manure must not be applied to the site.

Some BAP species that may benefit: Linnet, Eyebright (spp), Dune Gentian and Natterjack toad.

Payment rate: £80 per hectare.

Prescription 2.5: Management of Lowland Heath

Aim: To protect native lowland heath and encourage the regeneration of the plants and provide breeding and feeding grounds for the animals found in the area.

Site criteria: An area of Lowland Heath

- Management requirements:*
- a. Bracken and scrub cover should not be allowed to exceed a total of 5% cover on the site. Scrub control will be an ongoing management operation.
 - b. Livestock must be excluded between 1 November and 28 February.

- c. At other times grazing levels must not exceed 0.3 LU/ha.

Some BAP species that may benefit: Nightjar, Skylark.

Payment rate: £115 per hectare.

3. PRESCRIPTIONS FOR WETLAND FEATURES

Prescription 3.1: Management of Wetland

Aim: To enhance inbye wetland areas, for birdlife and to encourage botanical diversity that will in turn benefit invertebrates.

Site criteria: Wetland on inbye land (including salt marsh and reed beds).

Management requirements: a. Livestock must be excluded for a period of at least 4 consecutive months between 1 April and 31 August;

OR

b. Livestock must be excluded from 1 April to 30 June and grazing in the period from 1 July to 30 September must not exceed 0.3 livestock units per hectare;

c. Grazing levels must therefore not exceed 0.15 livestock units per hectare for 6 months from 1 April;

OR

d. Where the particular conservation interest of the site would not be met by this approach, a livestock management and grazing regime should be set out in a grazing plan to be agreed with Scottish Ministers.

e. The Audit must include a statement to outline the method of control of rank vegetation growth.

f. Grazing or mowing must be in accordance with a plan agreed with Scottish Ministers.

g. No supplementary feeding to occur on the site.

Some BAP species that may benefit: Skylark, Otter, Reed bunting, Marsh fritillary, Great crested newt.

Payment rate: £100 per hectare.

Prescription 3.2: Management of Lowland Raised Bogs

Aim: To enhance areas of lowland raised bog to promote biodiversity and wetland functions.

Site criteria: An area of lowland raised bog – an isolated peat deposit, averaging over one metre thick, that is surrounded by non-peat soils.

Management requirements: A management plan should be prepared which will include the following requirements as appropriate:

- a. Block existing ditches at intervals to raise or maintain the water table at or just below the surface of the vegetation (to prevent flooding of sites).
- b. Clear encroaching scrub and trees and prevent colonisation.
- c. Preparation of a grazing plan, as approved by Scottish Ministers, where grazing will improve the condition of the bog habitat.
- d. No supplementary feeding to occur on the site.
- e. No peat cutting to be carried out without the prior written agreement of Scottish Ministers.
- f. No muirburn to be carried out on the site.

Some BAP species that may benefit: Marsh earwort, Baltic bog-moss, Reed bunting, Great crested newt.

Payment rate: £70 per hectare.

Prescription 3.3: Creation and Management of Wetland

Aim: To convert arable or improved grassland to wetland by raising water levels. The habitat created will support a range of plants, invertebrates and bird species and provide both feeding and breeding areas. This prescription applies to both the creation and management of wetland. Management of wetland is for management of existing wetland areas on grazing land. This prescription applied to conversion of arable land and improved grassland areas which are not wet, but where action will be required.

Site Criteria: Arable land or improved grassland where the raised water levels resulting from creation of wetland would not adversely affect other land or cause the erosion of river banks or be liable to cause damage to archaeology.

Management requirements:

- a. the site must be managed to ensure that it is normally saturated with water for a significant proportion of the year.
- b. The site must not be mown or grazed for a period of at least 3 consecutive months between 15 April and 15 August, after which rank growth should be controlled. On fertile sites, where practicable, mowing may be allowed, with disposal of cuttings, between these dates with the prior written agreement of Scottish Ministers.
- c. Fertiliser, including slurry or farmyard manure must not be applied to the site.
- d. Pesticides and herbicides may be applied only with the prior written agreement of Scottish Ministers.
- e. No supplementary feeding to occur on the site.

Some BAP species that may benefit: Skylark, Otter, Reed bunting, Great-crested newt.

Payment rate: £189.26 per hectare

Prescription 3.4: Management of Water Margin

Aim: To protect water margins from erosion and permit development of tall waterside vegetation, e.g. tall herbs, scrub, trees and flowering plants that will help to stabilise the bank and provide a habitat for invertebrates, on which fish can feed.

Site Criteria: Inbye land which borders a watercourse having a bed width of not less than 0.6 metres of still water and which –

- a. in the case of a site bordering a watercourse with a bed width of less than 1.2 metres, has a minimum continuous width of 5 times the bed width of the watercourse and a maximum width of 12 metres.
- b. in the case of a site bordering a watercourse with a bed width equal to or greater than 1.2 metres, has a minimum width of 6 metres and a maximum width of 12 metres.
- c. in the case of a site bordering still water, has a minimum width of 12 metres and a maximum width of 24 metres.

Management Requirements:

a. Livestock must normally be excluded. Exceptionally livestock grazing at no more than 0.6 LU/ha may be permitted in September and October with the prior written agreement of Scottish Ministers *or*

Where the particular conservation interest of the site would not be met by the above approach, a livestock management and grazing regime should be set out in a grazing plan to be agreed with Scottish Ministers.

b. Where trees exist or are to be planted within a water margin, care should be taken to ensure that there will be no excessive shading of the water.

c. The site must be maintained by the control of statutory weeds, giant hogweed and Japanese knotweed and, as the case may be, by clearing the watercourse of any obstacle.

d. Fertiliser including slurry or farmyard manure must not be applied to the site.

e. Pesticides may be applied only with the prior written agreement of Scottish Ministers.

f. Mowing of the site may be permitted with the prior written agreement of Scottish Ministers where necessary to control rank vegetation.

g. No supplementary feeding to occur on the site.

h. Where an alternative management regime is proposed, evidence to support its adoption must accompany the application, for example a letter of support from or a reference to advisory material produced by a recognised conservation organisation.

Some BAP species that may benefit: Water vole, Otter, Pipistrelle bat, Freshwater pearl mussel, Reed bunting.

Payment rate: £310 per hectare

Prescription 3.5: Management of Flood Plain

Aim: To create and maintain a mosaic of wash lands and dry lands by allowing the watercourse to overflow on to its natural flood plain.

<i>Site criteria:</i>	<p>A site that forms all or part of a flood plain where –</p> <ul style="list-style-type: none"> a. part or parts of the flood plain are included in the undertaking as the site of another management activity; and b. the flooding of the site would not adversely affect other agricultural land.
<i>Management requirements:</i>	<ul style="list-style-type: none"> a. The natural flooding of the land must not be hindered and b. Cultivations must not be carried out within 12m of the water's edge. c. Additional management specific to each site must be agreed with Scottish Ministers.
<i>Some BAP species that may benefit:</i>	Irish lady's-tresses, Reed bunting, Pipistrelle bat.
<i>Payment rate:</i>	£25 per hectare.

Prescription 3.6: Management of Basin and Valley Mire Buffer Areas

<i>Aim:</i>	To conserve and enhance the buffer zone surrounding basin and valley mires by maintaining water levels and preventing enrichment through runoff from fields. The aim is to support the range of plant and animal communities found in these wetlands.
<i>Site criteria:</i>	Improved inbye or arable land surrounding a basin and valley mire. Basin and Valley Mires as identified by SNH.
<i>Management requirements:</i>	<ul style="list-style-type: none"> a. The wetland area must be managed in accordance with the requirements of the Management of Wetlands option. b. The surrounding area of catchment must be managed as a grass buffer – this to reduce the risk of nutrients applied to adjacent crops leaching into the wetland area. The external boundary of the buffer area will be defined by SNH but the grass buffer must be at least 10 metres in width. c. If it does not exist on entry to the Scheme, the grass buffer must be established in the first Spring following approval by sowing a suitable mixture of

grass seeds for which an additional payment is available.

d. Fertiliser, slurry or manure must not be applied to the buffer area.

e. Scrub control and the use of pesticides may be allowed only with the prior written agreement of Scottish Ministers.

f. A grassland management regime must be set out and agreed with the Scottish Ministers. The grazing regime for the grass buffer will be that adopted for the wetland area.

Some BAP species that may benefit: Within the valley mires and basin mires in south-east Scotland the vegetation community is a mixture of that found in bogs and fens. This can include Sphagnum (bog mosses), swamp communities with bog bean and bottle sedge as well as willow carr. The transition mires at Whitlaw and Branhholme also have lesser tussock sedge and slender green feather-moss. These mires are also important for invertebrates such as dragonflies. Fens are a UK BAP habitat.

4. PRESCRIPTIONS FOR MOORLAND

Prescription 4.1: Moorland Management

Aim: To encourage changes in management practices to benefit a diverse range of habitats within moorland of conservation interest, including feeding and breeding sites for birds and animals and a wide range of insects and plants and to prevent heather loss.

Site criteria: A distinct block of moorland over which it is practical to implement a management programme.

Management requirements: To carry out a suite of management practices as laid out in a Moorland Management Plan, including shepherding, stock management and feeding practices to benefit the stated conservation interest.

Payment rate: £1 per hectare.

Prescription 4.2: Stock Disposal

Aim: To encourage the regeneration of suppressed heather and/or other moorland vegetation of conservation interest, by the reduction of sheep numbers where it has been identified on a Moorland Management Plan.

Site Criteria: Moorland which is of conservation interest and would benefit from a reduced stocking density beyond the reduction required to rectify any identified overgrazing problem.

Management requirements:

- a. The requirements of the moorland management plan must be followed.
- b. An agreed number of ewes must be removed from the site. Ewe numbers in the business must be reduced by at least the number of ewes removed from the site in accordance with the plan and must not be increased on that site for the relevant period.
- c. The agreed number of ewes to be removed will not be more than a number equivalent to 250 hectares of moorland.

Some BAP species that may benefit: Juniper, Netted mountain moth, Skylark.

Payment rate: £7.22 per hectare

Prescription 4.3: Muirburn and Heather Swiping

Aim: To create blocks of heather at different growth stages through a planned programme of burning or swiping.

Site criteria: Moorland identified in a moorland management plan as appropriate for muirburn or a swiping programme.

Management requirements: All muirburn must be undertaken in accordance with guidance approved by Scottish Ministers.

Some BAP species that may benefit: Northern brown argus, Juniper, Skylark.

Payment rate: £11 per hectare.

Prescription 4.4: Bracken Eradication Programme

Aim: To eradicate bracken from an area of moorland and thus allow the moorland vegetation to re-establish itself.

Site Criteria: Moorland of conservation interest and identified in the moorland management plan as bracken-invaded.

Management requirements: Carry out a systematic programme of treatment and follow-up, where necessary using an approved herbicide, in accordance

with a Bracken Eradication Programme laid out in an approved BEP Management Plan.

- a. In year 1, prepare a detailed BEP Management Plan that will incorporate a map drawn to a scale of 1:10000 showing the extent of the invasion, the areas of bracken to be cleared over the life-time of the scheme plan, an estimate of the percentage cover and frond density of the bracken within each area at full frond stage (mid/late June on the West Coast to early August in the eastern Borders) and the locations of any sensitive species and habitats with appropriate buffer zones to ensure their conservation. Where cutting is to be the means of control, no buffer zones are required, but the map must show any areas with sensitive species and habitats and where birds are known to nest on the ground.
- b. As soon as the detailed BEP management Plan has been prepared, complete and submit the standard multi-agency application form (with a copy of the BEP Management Plan scale map showing the area(s) to be treated) to SEPA. Copies should be sent to SNH and the Local Authority Environmental Services. The applicant (or contractor) will need to allow the consultees at least 15 working days to consider and respond to the application for consent.
- c. Submit letters of consent and the final version of the BEP Management Plan with SNH-approved map to SEERAD as part of the claim for the first year's BEP management payment.
- d. In year 2, or exceptionally in year 1 if all the requirements detailed in paragraphs a, b and c have first been met, the applicant or contractor must carry out primary treatment involving the treatment of dense bracken with an approved herbicide using an appropriate method or by cutting three times during the growing season. It will be the applicant's responsibility to ensure that the required prior notice is given to all statutory consultees in advance of any aerial spraying and that the contractor is provided with a copy of the map to ensure that treatment is carried out in accordance with the BEP Management Plan.
- e. Follow-up action may be necessary involving repeated annual treatment to clear any bracken regrowth. Where chemical control is used, this normally requires a spot-treatment approach. Where cutting is the means of control, the programme of three treatments a year must continue for the duration of the BEP Management Plan.

Some BAP species that may benefit:

Juniper, Netted mountain moth and Skylark.

Payment Rate:

£26 per hectare

5. PRESCRIPTIONS FOR FIELD MARGINS AND BOUNDARIES

Prescription 5.1: The Management of Grass Margin or Beetlebank in Arable Fields

Aim: To create strips around or across fields on which insects can over-winter and breed early in the season. This allows them to effect a useful form of biological control by attacking aphid populations in adjacent crops. The strips also provide food and cover for birds.

Site Criteria: Land forming a strip between 1.5m and 6m in width around or across arable fields.

Management requirements:

- a. On bare land, the strip must be established by sowing a suitable mix of grass seed.
- b. Fertiliser, slurry or manure must not be applied to the strips.
- c. Scrub control and the use of pesticides may be allowed only with the prior written agreement of Scottish Ministers.
- d. A sterile strip up to 0.5m in width may be created and maintained by rotavation and herbicide along the inner edge of the grass margin. Such a strip will provide young birds with an area on which to dry out and also act as a buffer, preventing the spread of weeds from the grass margin into the crop.
- e. Grazing or topping of the grass margin or beetlebank after harvest is permissible, provided the average height of vegetation in the strip is not taken below 100mm.

Some BAP species that may benefit: Grey Partridge, Linnet, Bullfinch, Spotted flycatcher, Corn bunting, Purple ramping-furnitory, Cornflower.

Payment rate: £500 per hectare.

Prescription 5.2: Management of Conservation Headlands

Aim: To leave the headlands of arable fields free from herbicides or insecticides. This will allow the natural development of a varied flora within the headland, which will become a feeding ground and habitat for insects, birds and small mammals.

Site criteria: Headlands with a minimum width of 6 metres around arable fields.

Management requirements: Herbicides and insecticides may be applied to the headlands only with the prior written agreement of Scottish Ministers.

Premium Payment

No application of nitrogenous fertiliser to the headland.

Some BAP species that may benefit: Grey partridge, Linnet, Bullfinch, Corn bunting.

Payment rate: £70 per hectare. Premium payment: additional £80 per hectare.

Prescription 5.3: Management of Extended Hedges

Aim: To create hedges that are wider and taller than normal which, along with the adjacent undisturbed areas will support a diverse range of plants as well as habitats for invertebrates birds and small mammals.

Site criteria: A strip of arable or improved grassland situated alongside an existing or newly created hedge.

- Management requirements:*
- a. All livestock must be excluded and no arable cultivations may be carried out within a strip extending to at least 3 metres and up to 6 metres from the centre line of the hedge.
 - b. When the hedge is trimmed it must not be trimmed again for at least 3 years. Hedges should be trimmed between 1 December and 1 March.
 - c. The grass in the strip must not be cut, unless with the prior written agreement of Scottish Ministers.
 - d. Fertiliser, slurry or manure must not be applied to the site.
 - e. Herbicides or pesticides may be applied only with the prior written agreement of Scottish Ministers.

Some BAP species that may benefit: Song thrush, Bullfinch, Grey partridge, Purple ramping-fumitory.

Payment rate: £500 per hectare.

Prescription 5.4: Management of Hedgerows

Aim: To enhance existing hedgerows, which will in turn provide improved habitats for invertebrates, birds and small mammals.

Site criteria: Established or beaten up hedge.

- Management requirements:*
- a. Cut no more frequently than every third year. Hedges should be trimmed between 1 December and 1 March.
 - b. Pesticides must not be applied within one metre of an established hedge. Spot treatment of weeds within one metre of any new hedge planting may be carried out using an approved herbicide but only with the prior written agreement of Scottish Ministers.
 - c. The hedge bottom should not be mown.
 - d. Where a fence is required, it should be sited at least one metre from the centre line of the hedge.

Some BAP species that may benefit: Song thrush, Bullfinch, Grey partridge.

Payment rate: £0.50 per square metre

6. PRESCRIPTIONS FOR ARABLE AREAS

Prescription 6.1: Introduction or Retention of Extensive Cropping

Aim: To increase the conservation value of arable land within the Less Favoured Area by supporting traditional cropping rotations that will provide cover and feeding areas for birds.

Site criteria: A site comprising arable land or improved grassland in the Less Favoured Areas which does not exceed 4 hectares and subject to a maximum area per undertaking of 8 hectares

- Management requirements:*
- ai. Ploughing, cultivations and the spreading of fertiliser may only take place between 28 February and 15 May*. Exceptionally, for root crops, cultivations may be carried out after 28 February; any nests located to be marked and avoided, OR

* This date will be altered if AAPS date altered.

- a.

If fodder rape or similar crop is grown cultivations may take place later in the year to establish the crop; following cropping the area should not be ploughed or cultivated before 31 May in the following year.
- b.

Insecticides and herbicides may be applied only with the prior written agreement of Scottish Ministers. There will be a maximum allowance of 250 kg of compound fertiliser per hectare.

Premium Payment

The management regime outlined above is applied on the same site for a period of at least 3 years. In the final year of this arable rotation, a cereal crop will be undersown with grass. The undersown crop will be subject to the usual management which must be maintained throughout the following season. If rolling of the grass crop is necessary, this should be carried out before 15 March. The undersown crop may be grazed or cut for hay or silage.

Some BAP species that may benefit: Skylark, Corn bunting, Song thrush.

Payment rate: £120 per hectare. Premium payment: additional £20 per hectare.

Prescription 6.2: Management of Cropped Machair

Aim: To encourage the traditional cropping of previously cultivated machair land, ie. improved grassland, land in crop or lying fallow after an arable crop. This will provide feeding grounds for birds and following cultivation encourages a range of annual plants to grow and flower as the area reverts to natural grassland.

Site criteria: Previously cropped machair

- Management requirements:*
- a. The site must be included in an arable rotation, comprise at least 15% of the ploughable area of the machair and be sown to an arable crop or left fallow to be eligible for a payment under this option.
 - b. After the arable crop has been harvested, the site must be left untouched as fallow to revert to natural grassland for a minimum of 2 and maximum of 3 years.
 - c. Ploughing and cultivation may only take place between 28 February and 15 May.
 - d. Ploughing depth must not exceed 100mm.

- e. Pesticides and herbicides may be applied only with the prior written agreement of Scottish Ministers.
- f. Seaweed and manure may be applied in accordance with traditional practice.

Some BAP species that may benefit: Corncrake, Skylark, Northern colletes bee, Great yellow bumblebee.

Payment rate: £200 or £240 per hectare.

Prescription 6.3: Unharvested Crops

Aim: To encourage the practice of leaving areas of crop unharvested or partially harvested and left in stooks, in order to provide cover and feeding areas for birds.

Site criteria: Arable or improved grassland in plots of up to 2 ha in size and totalling no more than 8 ha over the whole unit.

Management requirements: Either:

- a. Spring sow a cereal-based mixture including at least one legume species (other crops eg linseed & brassicas may be included in the mixture) and do not plough down until after 15 March the following year;

OR

- b. Sow a mixture of at least two crops, one of which must seed in the first year and one in the second. Plough in after 15 March following last seeding year.
- c. No application of herbicides and pesticides.

Some BAP species that may benefit: Grey partridge, Skylark, Capercaillie, Black grouse.

Payment rate: £600 per hectare.

Prescription 6.4: Spring Cropping

Aim: To increase the conservation value of arable land within the non Less Favoured Area by encouraging the growing of spring-sown in place of autumn/winter-sown crops and the practice of leaving areas of stubble over-winter in order to provide feeding and breeding areas for seed-eating birds.

Site Criteria: A site comprising arable land not in a Less Favoured Area, subject to a maximum area per undertaking equal to the largest

area of cereal, linseed, oilseed or protein winter crop grown on the unit or units concerned in the 3 years prior to the year of application; or 20 hectares, whichever is the lesser.

Management Requirements:

- i Ploughing, cultivations and the spreading of fertiliser may only take place between 28 February and 15 May.
- ii Between harvest and 28 February, pesticides may be applied only with the prior written agreement of Scottish Ministers.
- iii To maintain a similar area of cropped land in each year of the plan although minor adjustments to this area can be made to allow for differences in field sizes. SEERAD need to be given details at application stage of the fields to be “rotated”.

Some BAP species that may benefit: Skylark, Corn bunting, Snow bunting, Reed bunting and Yellowhammer.

Payment Rate: £115 per hectare

7. PRESCRIPTIONS FOR WOODLAND AND SCRUB

Prescription 7.1: Management of Scrub (including Tall Herb Communities)

Aim: To enhance and extend areas of native scrub vegetation, which will also help the survival of associated flora and fauna.

Site criteria: Grazed land with suppressed scrub or tall herb communities.

- Management requirements:*
- a. Grazing is not allowed except with the prior written agreement of Scottish Ministers. Such permission will only be given in circumstances which will encourage regeneration of woodland or understorey and is not likely to apply more than once every 3 years.
 - b. Rhododendron growth must be controlled.
 - c. Cutting of understorey vegetation must be avoided.

Some BAP species that may benefit: Juniper, Woolly willow, Chequered skipper, Linnet.

Payment rate: £55 per hectare.

Prescription 7.2: Management of Native or Semi-Natural Woodland

Aim: To enhance and extend areas of native or semi-natural woodland, which will also help the survival of the associated flora and fauna.

Site Criteria: Existing native or semi-natural woodland.

Management requirements:

- a. No grazing to be allowed except with the prior written agreement of Scottish Ministers. Such permission will only be given in circumstances which will encourage regeneration of woodland or understorey and is not likely to apply more than once every 3 years.
- b. Where the particular conservation interest of the site would not be met by either of the above approaches, a livestock management and grazing regime should be set out in a grazing plan to be agreed with Scottish Ministers.
- c. Standing dead timber must not be felled and dead timber must be left in the woodland.
- d. Individual young trees should be provided with tree shelters where necessary
- e. Rhododendron growth must be controlled.
- f. Non-native tree species should be removed where these are detrimental to the character of the woodland and it is practical to do so.
- g. Where an alternative management regime is proposed, evidence to support its adoption must accompany the application, for example a letter of support from or a reference to advisory material produced by a recognised conservation organisation.

Some BAP species that may benefit: (Upland oakwood) Red squirrel, Black grouse, Pearl bordered fritillary; (Native pine woodland) Scottish crossbill, Capercaillie, Scottish wood ant, Juniper, Twinflower, (Wet woodland) Great crested newt, Dark-bordered beauty moth, Pale bristle moss; (Lowland wood-pasture) Blunt-leaved bristle moss, Pipistrelle bat

Payment rate: £32 per hectare

Prescription 7.3: Management of Ancient Wood Pasture

Aim: To enhance and extend sites with existing ancient wood pasture by maintaining the veteran trees, introducing or encouraging the regeneration of appropriate trees and managing

the open pasture beneath and between those trees to ensure the continuity of habitats which will support a range of invertebrates, birds, plants and other wildlife.

Site Criteria: Sites currently listed in and candidate sites for the “Inventory of Ancient Wood Pasture in Scotland” (maintained by SNH) will be eligible. This option may be adopted for ancient wood pasture sites where there are existing veteran trees and for areas which are contiguous with existing ancient wood pasture and now devoid of veteran trees but where there is historical evidence, from 1st edition 1860 maps, that such a habitat has existed.

Management Requirements: a. Where the open pasture element of the wood pasture is grassland, improved or unimproved, on the inbye:

Option 1

- i. Livestock must be excluded for 6 consecutive weeks between 1 April and 15 June (inclusive)
- ii. At other times, grazing levels must be set to maintain an average sward height of between 5 and 20 centimetres, subject to a plan maximum stocking density of 0.75 LU/ha.

OR

Option 2

- i. Where the aim of this prescription would not be achieved by adopting option 1a livestock management and grazing regime must be set out in a grazing to be agreed with Scottish Ministers. Stocking rates should be set to maintain an average sward height of between 5 and 20 centimetres subject to a maximum annual stocking density of 0.75 LU/ha. Where such an alternative management regime is proposed, evidence to support its adoption must accompany the application.

AND, for both options,

- i. Pesticides, lime, artificial fertiliser, farmyard manure or slurry must not be applied to the site. However, herbicides may be applied to control injurious weeds (Weeds Act 1959) using a weed wiper, spot treatment or hand sprayer.
- ii. Any topping must not be carried out before 31 July.
- iii. The site must not be used for supplementary feeding of stock
- iv. Where planting of small trees will serve to extend or enhance this habitat, species appropriate to the site and, where available, of local provenance must be used.
- v. Newly planted trees or any successful regeneration must be protected either as individual trees or in groups. The stem density within such groups will not exceed 50 trees per hectare while the spacing between them will not be less than 20 metres.
- vi. Wooden post-and-rail fencing or metal tree guards should be erected where required to maintain and prolong the life of individual veteran trees.
- vii. Provision must also be made through a deer control plan, agreed with the Deer Commission for Scotland, for the control of deer grazing.

b. Where the open pasture element of the wood pasture is acid grassland or heath on the rough grazings:

- i. Livestock must be excluded between 1 November and 28 February.
- ii. At other times, grazing levels should be set to maintain an average grass sward height of between 5 and 20 centimetres and must not exceed 0.3 LU/ha
- iii. The site must not be used for supplementary feeding of stock
- iv. Where planting of small trees will serve to extend or enhance this habitat, species appropriate to the site and, where available, of local provenance must be used.
- v. Newly planted trees or any successful regeneration must be protected either as individual trees or in groups. The stem density within such groups will not exceed 50 trees per hectare while the spacing between them will not be less than 20 metres.
- vi. Wooden post-and-rail fencing or metal tree guards should be erected where required to maintain and prolong the life of individual veteran trees.
- vii. Provision must also be made through a deer control plan, agreed with the Deer Commission for Scotland, for the control of deer grazing.
- viii. Pesticides, lime, artificial fertiliser, farmyard manure or slurry must not be applied to the site. However, herbicides may be applied to control injurious weeds (Weeds Act 1959) using a weed wiper, spot treatment or hand sprayer.

Some BAP species that may benefit: Orange-fruited Elm Lichen, *Bacidia incompta* (another Lichen); Dark-bordered Beauty Moth, *Hammerschmidtia ferruginea* (an Aspen Hoverfly), juniper, Black Grouse, Red squirrel.

Payment Rate: £30 per hectare

8. PRESCRIPTIONS FOR HISTORIC AND ARCHAEOLOGICAL SITES

Prescription 8.1: Management of a Site of Archaeological or Historic Interest on Agricultural Land

Aim: To improve the condition of features or areas of historical or archaeological interest.

Site criteria: Land containing a site of archaeological or historic interest (including old orchards characterised by widely-spaced standard fruit trees of old and often scarce varieties – normally less than 150 trees per hectare)

Management requirements: The management of the site must be agreed in advance with Scottish Ministers and may include, as appropriate, controls over grazing, the cutting and removal of trees scrub and woody plants, the repair of erosion damage, the establishment of unploughed buffer zones, the realignment of fences or tracks, re-siting of hard standings or feeding sites, the restoration of and care for old orchard trees.

OR

For crop marked areas, the site with a minimum 10 metre buffer zone beyond the visible remains must be taken out of cropping and sown to grass. The management of the site must be agreed in advance with Scottish Ministers. When establishing the sward, the ploughing depth must not exceed 100 mm.

Payment rate: £80 per 0.25 hectare on part thereof up to 1.5 hectare and £80 per hectare thereafter, or £320 per hectare.

9. SMALL UNIT PRESCRIPTIONS

Prescription 9.1: Special Measures Conservation Management Plan for Small Units

(NB. To be classified as a “small unit” under the Scheme, the area of inbye (excluding any apportionments) occupied by the business must not exceed 20 hectares.

Aim: To encourage a mosaic of habitats of conservation value across the whole unit including apportionments or, on non-croft land, rough grazings extending to less than 10 hectares by implementation of a management plan. Within the Crofting Counties, to encourage a community effort by means of a management plan to maintain or enhance areas of conservation interest within the boundary of a crofting community.

Site Criteria: All units up to 20 hectares inbye on entry to the Scheme.

Management requirements: Implementation of a detailed Conservation Management Plan for the whole unit (i.e. entire inbye and any apportionments or, on non-croft land, rough grazings extending to less than 10 hectares).

The Plan must:

- a. Set out clear environmental objectives.
- b. Explain the management to be undertaken to achieve these objectives by addressing all areas of activity on the unit (i.e. grazing management, winter feed production, cropping, stock management, management of special habitats/features etc including BAP habitats and species, pollution control).

Premium Payment

Collective application covering 4 or more units within the same crofting community.

Some BAP species that may benefit: Any species set out in the conservation management plan.

Payment rate: £50 per hectare.
Premium payment: additional £10 per hectare.

Prescription 9.2: Retention or introduction of Cattle of native or traditional breed(s)

Aim: In combination with prescription 9.1, to encourage a mosaic of habitats of conservation value across the whole unit including apportionments or, on non-croft land, rough grazings extending to less than 10 hectares by means of a management plan and the appropriate management of cattle of Scottish native and traditional breed(s) providing significant benefits for both the natural heritage and local economy.

Site Criteria: All units up to 20 hectares inbye on entry to the Scheme.

Management requirements: The unit supports a herd of breeding cattle of traditional or native breed(s) for the duration of participation in the Scheme;

OR

Premium Payment

A herd of breeding cattle of traditional or native breed(s) is introduced to the unit by the end of the first plan year. The numbers of any sheep on the unit must be reduced to ensure no increase in overall stocking density.

Some BAP species that may benefit: According to habitat and location of unit.

Payment rate: £5 per hectare.

Premium payment: £340 per hectare.

(NB. This prescription does not relate to Article 13 in Reg. 1750/99 (i.e. breeds threatened with extinction). This prescription is intended to help reverse the trend for cattle to be replaced by sheep, and the adverse effect this can have on the environment due to different grazing preferences.)

9.2 (Continued) – RURAL STEWARDSHIP SCHEME

CAPITAL PAYMENTS AND CEILINGS

	<u>Capital Item</u>	<u>Proposed Rate</u>
1.	Bracken Control – payment for primary treatment in year 1 of a 5 year Bracken Eradication Programme.	£120.00/ha
2.	Rhododendron Control	£250.00/ha
3.	Erection of:	
a.	Stock fence	£3.00/m
b.	Gate and posts	£25.00/m
c.	Single stile	£25.00/ea
d.	Double stile	£45.00/ea
e.	Convert stock fence to deer fence	£2.50/m
f.	Scare, temporary or rabbit fence	£1.50/m
g.	Deer fence	£6.00/m
	In areas where Black grouse occur:	
h.	Marking of a deer fence to reduce bird collision	£0.50/m
i.	Deer fence marked to reduce bird collision	£6.50/m
j.	Dismantling deer fences	£0.75/m
k.	Post and rail for guarding trees/water gates etc	£7.00/m
l.	Sand blow fencing	£7.00/m
4.	Building or restoring drystone or flagstone dykes or walls (including mortared walls)	£16.00/m ² *
5.	Native-species tree planting	£1.50/ea (small) £7.50/ea (standard)
6.	Tree guard and stake Self supporting guard for hedge plants	£1.10 ea. £0.50/ea
7.	Planting of marram grass	£4.00/m ²
8 a.	Water trough (rates at present too low)	£200/trough
b.	Water pipe and trench	£2.00/m (track)
9.	Planting, replanting, coppicing or laying of hedge (minimum: 6 plants/metre)	£4.00/m
10.	Creation or restoration of a pond (max area 2,000m ²)	£3.00/m ² (up to 100m ²) £1.50/m ² (over 100m ²)
11.	Sowing of Species Rich grassland	£400.00/ha

<u>Capital Item</u>	<u>Proposed Rate</u>
Additional items for Designed Landscapes only	
12. Restoration of parkland gate piers and/or Ha Has	£17.50/m ²
13. Amenity tree planting (exotic trees/standard trees)	£9.00/ea
14. Post and rail fencing to protect parkland trees	£9.00/m
15. Blocking ditches on lowland raised bogs and on created wetland	£100 per dam
16. Amenity tree planting on a site not exceeding 0.25 ha	£1.50 per tree
17. Erosion control plan	£1,100 per ha (over 5 years)
18. Provision of Bat Boxes	£15 each
19. Provision of Bird Boxes (Small)	£10 each
20. Provision of Bird Boxes (Large)	£20 each
* see expenditure ceilings	

See table below to show the annualised payment rate for the new capital items which will be paid in 6 instalments over 5 years.

Annualised Payment Rates for New Capital Items

	Rate	On entry	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Blocking ditches on lowland raises bogs and on created wetland	£100.00	£25.00	£26.50	£22.47	£11.91	£12.62	£13.38	£111.88
Amenity Tree planting on a site not exceeding 0.25 ha	£1.50	£0.38	£0.40	£0.34	£0.18	£0.19	£0.20	£1.69
Erosion Control Plan	£983.12	£245.78	£260.53	£220.93	£117.09	£124.12	£131.56	£1,100.01
Provision of Bat Boxes	£15.00	£3.75	£3.97	£3.37	£1.79	£1.89	£2.01	£16.78
Provision of Bird Boxes (small)	£10.00	£2.50	£2.65	£2.25	£1.19	£1.26	£1.34	£11.19
Provision of Bird Boxes (large)	£20.00	£5.00	£5.30	£4.49	£2.38	£2.52	£2.68	£22.37

<u>Advice</u>	<u>Proposed Payment</u>
1. Environmental Audit	<p>i) Small unit (up to 20 ha excluding any apportionments and common grazings) 75% of actual cost with minimum £150 and maximum £225</p> <p>ii) Other units (> 20 ha excluding any apportionments and common grazings) 50% of actual cost with maximum £300</p> <p>iii) For collaborative applications, 50% of the approved cost for each participating holding up to a maximum payment of £350 per participating holding.</p>
2. Moorland Management Plan	£1 for every hectare moorland included in the plan subject to a minimum payment of £50 and a maximum of £500. Max increases to £600 when MMP applies to Common Grazings

Limits

1. Conservation management	The full management payment will be made for areas of inbye land of up to 100 hectares managed under the Scheme prescriptions and in addition for areas of up to 1,000 hectares of rough grazings (including moorland). For common grazings, the full management payment for prescriptions will be made for up to 2,000 hectares. However, where these limits are exceeded all management payments for prescriptions relating to inbye land, rough grazings (including moorland), or common grazings, whichever applies, will be scaled back to 80%.
2. Stock disposal	Stock disposal payments may be made on no more than 250 hectares of moorland.
3. Capital items	Total payments for dyking in any single application will be restricted to 35% of the total cost of the applicants approved Scheme proposals (excluding stock disposal).

RSS CAPITAL ACTIVITIES

CAPITAL ACTIVITY	SPECIFICATION
1. Bracken eradication – primary treatment required in the first year of a Bracken Eradication Programme on any area of land identified in a moorland management plan or on any area that will benefit from such treatment as part of the undertaking.	<p>a. such primary treatment must be carried out at the full frond stage in the first year of a five year Bracken Eradication Programme by application of a herbicide approved by the for this purpose.</p> <p>b. aerial spraying may be carried out only with the prior written consent of Scottish Natural Heritage, SEPA and any other statutory consultees having regard to required periods of notice.</p> <p>c. follow-up action will involve annual spot-treatment of any bracken re-growth in accordance with the Bracken Eradication Programme</p>
2. Rhododendron Control	Rhododendron control is to be carried out by cutting or mechanical destruction.
3(a-d). Erection of a fence, gate or stile required for any management activity or which provide some other conservation benefit.	<p>i. The construction and all materials must conform to the appropriate British standards.</p> <p>ii. Except as otherwise provided, fence posts must be placed at intervals of no more than 3.5 metres, or 12 metres where high tensile wire and droppers are used.</p> <p>iii. Except as otherwise provided, a fence must have a minimum of 6 line wires or 2 line wires and woven wire netting.</p> <p>iv. Where fences are erected to enhance hedgerows they must be sited at least 1 metre from the centre line of the hedge.</p>
3(e) Conversion of stock fence to Deer fence	i. The conversion of an existing fence to deer fence must have new strainers erected and full length stobs driven in every 12 metres and droppers on the top of the fence every 2 metres as well as the existing stobs
3(f) Erection of a scare or temporary fence or rabbit-proof netting	i. A scare fence must consist of a minimum of 2 line wires with post at intervals of not more than 6 metres.
3(g) Erection of Deer fence	i. Deer fences shall not be less than 1.8 metres high and have a minimum of 3 line wires and woven netting with stobs at no more than 3.5 metre intervals and 12 metre intervals with droppers every 2 metres for high tensile wire.

3(h) Erection of Deer fence marked to reduce bird collision	i. In areas where black grouse occur, to make the fence more visible and thus reduce the number of collisions, use a double strip of orange barrier netting, each strip of approximately 45 cm in width. Both strips should be secured with pig rings/wire twists at intervals of ca. 30cm on the upper and lower edges. The top of the upper strip should reach the top strand of the fence. The top of the lower strip should reach the middle strand of the fence. Alternative fence marking designs will require written endorsement by SOAEFD.
3(i) Dismantling of Deer fence to remove a cause of bird death and injury by collision	i. All wires must be removed from posts and coiled/rolled. The wire must be removed from the site and taken to a recognised disposal site. Posts may be left lying along the old fenceline
3(j) Erection of post and rail fence for guarding trees or as water gates	i. A post and rail fence erected as a tree guard or water gate must have posts no more than 3 metres apart and 4 rails (70mm x 20mm).
3(k) Erection of suitable fencing to trap blowing sand and in fill previously eroded dune areas.	i. Fencing must be fixed at right angles to the prevailing wind direction and constructed of posts and rails with posts no more than 3 metres apart and 4 rails (70mm x 20mm).
4. Building or restoration of traditional drystone or flagstone dykes or walls.	i. Drystone or flagstone dykes or walls should be rebuilt with material traditional to the locality and to a standard normally found there.
5. Native-species tree planting on a site no more than 0.25ha and including individual trees in hedgerows and along water margins.	i. Planting density must not exceed one tree per 10m ² ; and ii. Native species appropriate to the site must be planted
6. Installation of tree guards and stakes or self-supporting tree guards required to protect amenity or native-species tree and hedge planting.	i. The tree guards and stakes or the self-supporting tree guards must be securely fixed to protect newly planted material from damage by rodents and grazing animals.

7. Planting of marram grass into areas threatened with erosion.	<p>i. Transplants should be harvested from areas where marram is well established and there is little danger from erosion;</p> <p>ii. Plants should be established at a density of at least 9 plants per square metre; and</p> <p>iii. Planting should take place in late spring or autumn.</p>
8. Installation of a water trough required because of the management of a water margin, wetland or species rich grassland, will result in stock being denied access to traditional watering points.	<p>i. The water trough must be a purpose made item and incorporate a ballcock to shut off the water supply; and</p> <p>ii. The trough must be permanently mounted on a durable base and a stopcock must be provided to control the water supply.</p>
9. Planting, replanting, coppicing or laying of a hedge.	<p>i. Where new hedging or gapping up of existing hedges is undertaken, plants must be established in a double row with a minimum of 6 plants per metre; and</p> <p>ii. A single species must not account for more than 75% of plants established.</p>
10. Creation or restoration of pond.	<p>i. Any existing conservation interest must not be damaged;</p> <p>ii. The site must be capable of retaining water; and</p> <p>iii. There must be an adequate water supply.</p>
11. Sowing of species rich grass.	<p>i. Cultivation or herbicide treatment should first destroy any existing sward.</p> <p>ii. A mixture consisting of no more than 85% fine leaved or non-aggressive grasses and at least 15% mixed native flowers must be sown.</p>
12. Blocking ditches on lowland raised bogs and on created wetland.	<p>i. Block existing ditches at intervals using impermeable plastic sheeting (known as plastic piling) to raise or maintain the water table at or just below the surface of the vegetation.</p>
13. Erosion Control Plan	<p>i. Put in place a 5-year programme of measures to control burrowing animals.</p>

14. Provision of Bat Boxes.	i. Bat boxes are to be made with soft wood. No wood preservatives should be used. The wood must be 2.5cm thick leaving a 15-20mm entrance gap underneath the base of the box. The wood should be rough sawn on all surfaces. The box lid should be screwed down.
15. Provision of Bird Boxes (Small).	i. Bird boxes are to be made with soft wood. If required, treat with a water-based preservative on the outside of the box. The wood must be 15mm thick and the bottom of any entrance hole must be at least 125mm from the floor of the box. The inside front surface should be rough.
16. Provision of Bird Boxes (Large).	i. Boxes are to be made with hard or soft wood. If required, treat with a water-based preservative on the outside of the box. Dimension and design of box will depend on the species of bird utilising the habitat where the box will be placed.
Additional items for Designed Landscapes only:	
17. Restoration of parkland gate piers.	i. Parkland gate piers should be rebuilt with material traditional to the area and to standard and design normally found there.
18. Amenity tree planting.	i. The trees must be standard or semi-standard. Exotic species may be planted.
19. Wooden post and rail fencing to protect parkland trees.	i. Wooden post and three rail fencing shall not be less than 1.1 metres high with rails of at least 38mm x 87mm sawn timber and posts not exceeding 1.8 metres apart.
20. Amenity Tree Planting on a site not exceeding 0.25 hectares.	i. Planting density must not exceed one tree per 10 square metres. ii. Native species appropriate to the site must be planted.

CALCULATION OF PAYMENT RATES FOR MANAGEMENT OPTIONS (RSS)

Prescription	Basis of Calculation	Calculation	Proposed
1.1 Extensive Management of Mown Grassland for Birds	Additional Costs equiv. to loss of grazings @6 ewes/ha and 3 months use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision (at 1 hr per wk per ha rented grazing @ £5.50/hr); also costs £5/ha for bird friendly mowing	Rented grazing 0.8 ha @ £218x0.5 = £87.20 Wormer and haulage £12.00 Supervision £52.80 Additional mowing costs <u>£5.00</u> £157.00/ha	£150.00 per ha
1.2 Management of Open Grazed Grassland for Birds	Additional Costs equiv. to loss of grazing @7.5 ewes/ha and 1.5 months use of rented grazing with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision; also costs £5/ha for bird friendly mowing	Rented grazing 1.0 ha @ £218x0.25 = £54.50 Wormer and haulage £15.00 Supervision £33.00 Additional mowing costs <u>£5.00</u> £107.50/ha	£100.00 per ha
1.3 Extensive Management of Mown Grassland for Corncrakes (must be adopted in combination with Prescription 1.4 and the sites must be adjacent)	Income foregone: normal yield of hay would be 5 tonnes/ha and delayed cutting would reduce yield by ca 30%; also additional costs £5/ha for bird friendly mowing	5 tonnes hay @ £128/tonne x 30% £192.00/ha	£190.00 per ha
1.4 Management of Early and Late Cover for Corncrakes (must be adopted in combination with Prescription 1.3 and the sites must be adjacent. Early/late cover areas must be >=0.15ha and <=0.5ha)* not suitable for conservation as hay or silage	Additional costs: equivalent to loss of grazings @ 2.5 ewes/ha and 7 months (30.5 wks) use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision (at 1 hr/wk per hectare rented grazings @ £5.75/hr) and 75% of the annual charge to service capital and interest (6.5%) required to finance the creation of iris beds; assuming no cutting, fertiliser or sprays.	Rented grazing 0.33 ha @ £218x1.17 = £84.17 Wormer and haulage £5.00 Supervision £55.35 Additional mowing costs <u>£5.00</u> £149.52/ha + 7.5% incentive payment £11.21	£160.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
1.4a Creation and Management of Early and Late Cover for Corncrakes (must be adopted in combination with Prescription 1.3 and the sites must be adjacent. Early/late cover areas must be ≥ 0.15 ha and ≤ 0.5 ha)	<p>Additional costs equivalent to loss of grazings @ 2.5 ewes/ha and 7 months (30.5 wks) use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/ haulage and supervision (at 1 hr per wk per ha rented grazing @ £5.75/hr); assume no cutting, fertiliser or sprays.</p> <p>Plus costs based on 75% of RSPB pilot case costs – extraction, transportation and establishment of iris bed, including incorporation of FYM and spreading.</p>	<p>Rented grazing 0.33 ha @ £210 x 1.17 = £81.08 Wormer and haulage (2.5 ewes @ £2) £5.00 Supervision (0.33 ha x 30.5 weeks x £5.75) £57.87 Additional mowing costs <u>£8.00</u> £151.95/ha</p> <p>Tractor and trailer £150.38/ha Digger £240.60/ha Spreading <u>£2,750.00/ha</u> £3,140.98/ha</p> <p>75% of above figure amortized over 5 years of plan at 6½% interest rate <u>£566.55</u> Total £718.50</p>	£718.00
1.5 Management of Wet Grassland for Waders	Additional Costs equiv. to loss of grazing @7.5 ewes/ha and 1.5 months use of rented grazing with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision; also costs £5/ha for bird friendly mowing	<p>Rented grazing 1.0 ha @ £218x0.25 = £54.50 Wormer and haulage £15.00 Supervision £33.00 Additional mowing costs <u>£5.00</u> £107.50/ha</p>	£100.00 per ha
2.1 Management of Species Rich Grassland	Income foregone: assumed a loss of output from 3 upland ewes per hectare at a Gross margin of £40/ewe less 8% Tenants Capital	Income foregone: Gross Margin £40/ewe less £4 (interest on Tenants Capital) = £36/ewe	

	(£4.00) Additional costs: additional herding necessary to ensure management carried out at 1 hour/ha at wage of £4.65 + 10% overheads per hour.	3 ewes @ £36 = £108.00/ha Additional Costs: additional herding assuming 1 hour/ha £4.65 + 10% overheads (0.46) = £5.11/ha Overall cost = £113.11/ha	£100.00 per ha
2.2 Bracken Eradication Programme (Species Rich Areas) (see Prescription 4.4)			£25.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
2.3 Creation and Management of Species Rich Grassland	<p>A Income forgone equivalent to 50% output from av. Arable(non-LFA Spring Barley, Winter Barley)/lowground suckler unit less 8% av. Tenants Capital for the 3 enterprises</p> <p>B Income foregone equivalent to 50% output from av. Arable (non-LFA Spring Barley, Winter Barley)/lowland suckler unit less 8%av. Tenants Capital for the 3 enterprises</p>	<p>Gross Margins WB £713, SB £565, Suckler herd (Spr) £493 100% Income Foregone = £590 - 8% av. Tenants Capital (£97.00) = £493.00 50% Income Foregone = £246.00</p> <p>Upland suckler cow herd (Spr) £509/ha Upland breeding ewes (cross lamb production) @ 7 ewes/ha Ewe lambs for breeding = £375/ha Store lamb production £304/ha = £396 Deduct Tenants capital (£97) = £299 50% income forgone = £150/ha</p>	<p>£250.00 per ha</p> <p>£150 per ha</p>
2.4 Management of Coastal Heath	Additional Costs equiv. to loss of grazings @1.5 ewes/ha and 5 months use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision. 0.5 ewe/ha away-wintered to reduce winter stocking rate to 0.15 LU/ha	<p>Rented grazing 0.2 ha @ £218x0.83 = £36.19 Wormer and haulage £3.00 Supervision £22.00 Wintering cost (-0.5 ewe/ha) <u>£8.75</u> £69.94 + 15% incentive payment £10.49</p>	£80.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
2.5 Management of Lowland Heath	Additional Costs equiv. to loss of grazings @1.0 ewe/ha and 8 months (35 wks) use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision. 3 ewes/ha away-wintered to reduce winter stocking rate to 0 LU/ha 1 Nov. to 28 Feb.	Rented grazing 0.13 ha @ £218x1.33 = £37.69 Wormer and haulage £2.00 Supervision <u>£25.02</u> £64.71 Wintering costs only Away-wintering 3 ewes/ha @£15/head Transport & gathering @£2.50/head =£52.50	£115.00 per ha
3.1 Management of Wetland	Additional Costs equiv. to loss of grazings @3.5 ewes/ha and 4 months (16 wks) use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision.	Rented grazing 0.46 ha @ £218x0.66 = £66.18 Wormer and haulage £7.00 Supervision <u>£40.48</u> £113.66/ha	£100.00 per ha
3.2 Management of Lowland Raised Bogs	Additional Costs equiv. to loss of grazings @0.67 ewes/ha and 8 months (32 wks) use of rented grazings with carrying capacity 7.5 ewes/ha + wormer/haulage & supervision.	Rented grazing 0.09 ha @ £218x1.33 = £26.09 Wormer and haulage £1.33 Supervision <u>£15.84</u> £43.26 Wintering costs only Away-wintering 1 ewes/ha @£15/head Transport & gathering @£2.50/head = £17.50 + 20% incentive payment £12.15	£70.00 per ha
3.3 Creation and Management of Wetland	Income foregone equivalent to 50% output from av. Arable(non-LFA Spring Barley, Winter Barley)/lowground suckler unit less 8% av. Tenants Capital for the 3 enterprises	Gross Margins WB £713, SB £565, Suckler herd (Spr) £493 100% Income Foregone = £590 - 8% av. Tenants Capital (£97.00) = £493.00 50% Income Foregone = £246.50	£250.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
3.4 Management of Water Margin	Income foregone equivalent to 75% (proportion of water margin regarded as productive) output from av. Arable (non-LFA Spring Barley, Winter Barley)/lowground suckler unit less 8% av. Tenants Capital for the 3 enterprises. Additional costs: £100/ha management activities on non-productive area of water margin.	Gross Margins WB £713, SB £565, Suckler herd (Spr) £493 100% Income Foregone = £590 - 8% av. Tenants Capital (£97.00) = £493.00 75% Income Foregone = £369.75 Additional Costs: £100.00 x 0.25 = £25.00	£400.00 per ha
3.5 Management of Flood Plain	Additional Costs: £25.00/ha to compensate for additional management costs eg. more frequent stock movement Flood Plain do not cultivate < 12m water edge. Income foregone: Nil.	£25.00/ha	£25.00 per ha
3.6 Management of Basin and Valley Mire Buffer Areas	Income foregone: cereal production to extensive lowground suckler/intensive to extensive lowground suckler. Additional costs: interest (5.5%) on the extra capital (£800) required to stock one hectare of land. Incentive payment: 7%.	Gross Margins Winter Wheat £607/ha = £607 Lowground suckler (average) £459/ha 75% lowground suckler production = £334.25 Net loss = £114.75 Average net loss = £188.75 £800.00 @ 5.5.% per ha = £44.00/ha Total = £232.75/ha = £16.29 Overall cost = £249.04/ha	£250.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
4.1 Moorland Management	Additional costs: £1.00/ha to compensate for additional costs associated with changes to management practices including shepherding, stock management and feeding practices. Cost used is the time of 1 man based on Agricultural Wages Order (£4.65 per hour) to carry out herding, correct stocking levels over the area, improving supplementary feeding practices, all over and above normal hill stock management. Average moor of 200 hectares carrying one ewe per hectare equals 200 ewes . Say 9 months or more ie 37 weeks at 2 hours additional per week = $74 \times £4.65 = 344.10/200$ hectares, rounded down to £1 per hectare.	£1.00/ha	£1.00 per hectare
4.2 Stock Disposal	Costed on hectarage basis of nos. of ewes removed from the business	Gross margin average Hill ewe £36 less interest saved on tenant's capital (£40 @ 6% = £2.40). Assume 1.3 ewes removed per hectare of moorland.	£45 per hectare of moorland

Prescription	Basis of Calculation	Calculation	Proposed
4.3 Muirburn and Heather Swiping	Additional costs: Labour & materials costs of controlled burning of one hectare. Labour in sufficient numbers to ensure no spread of fire to any nearby forestry plantation. 20 hrs labour costing £4.65/hour + 20% allowance for transport & sundries	Assuming labour cost of £4.65/hour $£4.65 \times 20 \times 1.2 = £111.60/\text{ha}$ or £110.00/ha (rounded down to nearest £10) for 10 year programme £11 per ha annually over whole area to be burnt during 10 yrs	£11 per ha annually over whole area to be burnt during 10 yrs
4.4 Bracken Eradication Programme (also Prescription 2.2)	Yr.1: Additional management costs, eg. more frequent stock movement, monitoring of primary application (eligible in year 1 for Bracken Control capital payment: £120.00/ha) Yrs. 2-5: Follow-up treatment. Additional costs: labour and materials required to carry out general maintenance and spot-treat bracken re-growth assuming team of 5 operators and rate of progress of 4 ha/hour (2 km/hr across 20 m strip)	£25.00/ha Assuming labour cost of £4.65/hour $£4.65 \times 0.25 \times 5 = £5.84/\text{ha}$ Assuming cost of machinery and materials to carry out general maintenance and spot treatment is £36.00/ha (Yr.2) and £14.00/ha (Yrs.3-5), ie. average £20.00/ha	£25.00 per ha
5.1 Management of Grass Margin or Beetlebank in Arable Fields	Loss of crop production from area + cost of grass seed sown on strip and £75/ha considered necessary to cover management activities in general accordance with Game Conservation Trust Guidelines. Income foregone equivalent to output from av. non-LFA Spring Barley, Winter Barley & Winter Wheat less 8% av. Tenants Capital for the 3 enterprises	Gross Margins WB £713, SB £565, WW £673 Income Foregone = $£650 - 8\% \text{ av. Tenants Capital } (£68.80)$ = £581.20 Additional Costs: Grass seed @ £80/ha Management activities on strip @ £75/ha	£736.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
5.2 Management of Conservation Headlands	<p>Up to 25% yield reduction will result from zero application of herbicides and pesticides. Income foregone equivalent to 15% output from av. non-LFA Spring Barley, Winter Barley & Winter Wheat less 8% av. Tenants Capital for the 3 enterprises</p> <p>Premium payment applies if N fertiliser not applied resulting in a further yield reduction of up to 25% (restricted to 15%)</p>	<p>Gross Margins WB £713, SB £565, WW £673 100% Income Foregone = £650 - 8% av. Tenants Capital (£68.80) 15% Income Foregone = £87.18</p> <p>less costs saved: Sprays £20/ha + 5% incentive payment (£3.35)</p> <p>Premium payment: 15% Income foregone = £87.18</p>	<p>£70.00 per ha</p> <p>Premium Payment = additional £80.00 per ha</p>
5.3 Management of Extended Hedges	<p>Strip 3 m from centre line of hedge. Income foregone equivalent to output from av. Arable(non-LFA Spring Barley, Winter Barley)/lowground suckler unit less 8% av. Tenants Capital for the 3 enterprises.</p>	<p>Gross Margins WB £713, SB £565, Suckler herd (Spr) £493 100% Income Foregone = £590 - 8% av. Tenants Capital (£97.00) = £493.00</p>	<p>£500.00 per ha</p>
5.4 Management of Hedgerows	<p>Additional maintenance costs: hedge laying, planting gaps. Hedge laying, coppicing, planting and weed control to ensure that gaps in hedges are filled. This will be an ongoing process. Hedgerow is an average 1 metre wide, therefore one linear metre equals one square metre ground area covered by hedge. Based on a 100 metre hedge requiring approx. 25 hours per annum to fill in gaps ie 2 x £4.65 = £116.25 = £1.16 per square metre, rounded down to £1 per square metre.</p>	<p>Hedge maintenance costs</p>	<p>£1.00 per metre²</p>

Prescription	Basis of Calculation	Calculation	Proposed
6.1 Introduction or Retention of Extensive Cropping	35% yield reduction from non use of sprays and restricting compound fertiliser application rate to 250 kg per hectare Income foregone equivalent to 35% output from av. non-LFA Spring Barley & Spring Oats reduced by spray and fertiliser costs saved Premium payment for application of management regime for period of 3 years or more on same site	Gross Margins SO £588, SB £565 100% Income Foregone = £576.50 35% Income Foregone = £201.77 reduced by spray costs saved £20.00 per hectare Reduced by fertiliser costs saved (50%) SO £54, SB £68 Average = £61 + Premium Payment (17% incentive)	£120.00 per ha Premium Payment = additional £20.00 per ha
6.2 Management of Cropped Machair	Assume 5 yr rotation comprising 2 yrs in crop and 3 yrs fallow ❖ Arable crop payment rate based upon: Average costs for cultivations in the crofting areas. If combined with traditional application of seaweed and dung, additional £80/ha (40 tonnes/ha @£2.00/tonne) Yrs 1 & 2: £160/ha or £240/ha ❖ Fallow payment rate based upon: Income foregone when not able to secure a crop of hay from that area: normal yield of hay on machair would be 2.5 tonnes/ha Yr.3: 100% loss £320/ha Yr.4: 70% loss £224/ha Yr.5: 50% loss £160/ha	❖ Arable cropping involving: cultivations with no seaweed and dung Cultivations £160.00/ha cultivations with dung and seaweed £240.00/ha ❖ 2.5 tonnes hay purchased per hectare fallow 2.5 tonnes hay @ £128/tonne = £320/ha i) Average annual payment if cultivations with no seaweed and dung for arable crop = $(160+160+320+224+160)/5 = £204.80/ha$ ii) Average annual payment if cultivations with seaweed and dung for arable crop = $(240+240+320+224+160)/5 = £236.80/ha$	i)£200.00 per ha OR ii)£240.00 per ha
6.3 Unharvested Crops	Income Foregone: lost production equivalent to 100% output from av. non-LFA Spring Barley, Winter Barley & Winter Wheat reduced by spray costs saved and savings from 25% reduction in fertiliser input	Gross Margins WB £713, SB £565, WW £673 100% Income Foregone = £650.00 less costs saved: Sprays £20/ha Fertiliser £30/ha	£600.00 per ha

Prescription	Basis of Calculation	Calculation	Proposed
7.1 Management of Scrub (including Tall Herb Communities)	Assuming area carries 1.5 ewes/ha, production loss is equivalent to gross margin from 1.5 ewes per hectare less savings: interest on tenants' capital and income from quota sale/lease	Income foregone: Grass margin average Hill ewe @ £36 less interest saved on tenant's capital (£40 @ 6%) £2.40 per ewe £33.6 x 1.5 ewes removed = £50.40 per hectare + 10% incentive payment £5.00	£55.00 per ha
7.2 Management of Native or Semi-Natural Woodland	Assuming area carries 3 upland ewes/ha, production loss is equivalent to gross margin from 3.0 ewes per hectare less savings: interest on tenants' capital and income from quota sale/lease	Income foregone: Grass margin average Upland ewe @ £38 less interest saved on tenant's capital, £2.40 per ewe £35.60 x 3 ewes removed = £106.80 per hectare	£100.00 per ha
8.1 Management of a Site of Archaeological or Historic Interest	<p>Calculation based upon average cost of wide range of possible management prescriptions attached to these sites.</p> <p><u>OR</u></p> <p>For sowing crop marked area to grass. Cost of grass seed sown on area and £75/ha considered necessary to cover management activities in general accordance with Historic Scotland guidelines.</p> <p>Income foregone equivalent to difference between output from av. non-LFA Spring Barley, Winter Barley & Winter Wheat less 8% av. Tenants Capital for the 3 enterprises and output from av. lowground breeding ewe flock less interest on tenant's capital.</p>	<p>£80.00 per 0.25 ha or part thereof up to 1.5 hectares and £20.00 per 0.25 ha or part thereof thereafter</p> <p><u>OR</u></p> <p>Payment based upon: (a) Income Foregone = Output Difference = £581.20(Cereals) - £368.00(Sheep) = £213.20/ha, where output for av. non-LFA cereals enterprise is gross margin average for WB £713, SB £565 & WW £673 (£650/ha) less 8% av. Tenants Capital (£68.80/ha) = £581.20/ha, and output for av. lowground flock is gross margin average for lowground flock (£392/ha) less interest on tenant's capital (£24/ha) = £368.00/ha</p> <p>(b) Additional Costs: Grass seed @ £80/ha Management activities on strip @ £75/ha</p>	<p>£80.00 per 0.25ha or part thereof up to 1.5 hectares and £80.00 per ha thereafter</p> <p><u>OR</u></p> <p>£320.00 per ha</p>

Prescription	Basis of Calculation	Calculation	Proposed
9.1 Special Measures Conservation Management Plan for Small Units	<p>i) Cost of implementing/monitoring 20 hectare plan assumed at £100/yr = $£100 \div 20 = £5.00$ /ha</p> <p>ii) Cost of removal and screening of eyesores assuming 1 man-day's labour for 20 ha = £34 + one-third incidentals = £45.32. Therefore cost per hectare = $£45.32 \div 20 = £2.27$/ha</p> <p>iii) Dyke maintenance assuming 10 metres dyke maintained per hectare and maintenance cost is capital cost of £22.50/ metre \div life of 75 yrs. Cost = $£22.50 \div 75 \times 20 = £6.00$/ha</p> <p>iv) Cost of not increasing production assuming 20% increase in carrying capacity is foregone on land currently carrying 0.8 LU/ha. At gross margin (less interest saved on tenants capital) for upland ewes of £35.60/head, loss = $£35.60 \times 5.33 \times 0.2 = £37.95$/ha</p> <p><u>Premium Payment</u></p> <p>Collective application covering a minimum of 4 crofts within the same crofting community</p>	<p>Total of all these elements = $£5.00 + £2.27 + £3.00 + £37.95 = £48.22$ per ha</p> <p>+ 20% incentive payment (£9.64)</p>	<p>£ 50.00 per ha</p> <p>Premium payment additional = £10.00 per ha</p>

Prescription	Basis of Calculation	Calculation	Proposed
9.2 Retention or introduction of Cattle of native or traditional breed(s) in Crofting Areas (must be adopted in combination with Prescription 9.1).	<p>The croft supports a herd of cattle of traditional or native breed(s) on entry into this Scheme.</p> <p><u>Premium Payment</u></p> <p>A herd of cattle of traditional breed(s) is introduced to the croft by the end of the first plan year.</p> <p><u>Income foregone</u>: equivalent to difference between output from (W. Highland) Hill Suckler Cow introduced and that from equivalent 6.67 (W. Highland) Hill Breeding Ewes displaced less difference between 8% interest on av. Tenants Capital per livestock unit for the 2 enterprises Add value of time lost to off-croft work when crofter introduces cattle (with corresponding reduction in sheep numbers): Using SAC Standard Labour Requirements, 1 suckler cow + 1 calf (6-12 mths) = 32 hrs/yr Cropping (hay etc) for 1 cow = 38 hrs/yr <u>Less</u> 7 breeding ewes + 1 ewe hogg = 30 hrs/yr And average labour cost of £4.65/hr</p> <p><u>Additional Costs</u>: Annual charge to service capital and interest required to: Purchase of cow (incl. Haulage): £600 @8% over 7 yr herd life Purchase of suckler cow quota less assumed lease of 7 units of sheep quota: £145 - £84 = £61 @8% over 7yrs Erection of GP/Cattle building & dungstead (net of grants) accommodating up to 10 cows: £21,000 @8% over 25 yrs</p>	<p>+ 10% incentive payment (£5.06)</p> <p><u>Income foregone</u>: Gross Margins Hill Suckler Cow £276/head 6.67 Hill Breeding Ewes £29.79/ewe x 6.67 Change in GM per suckler cow introduced in lieu of 6.67 ewes = £276 - £198.70 = £77.30 (increase) Interest on Tenant's Capital per livestock unit Hill Cattle & Sheep: 8% £957.68 = £76.61 Hill Sheep: 8% £583.29 = £46.66 Change in interest on Tenant's Capital = £46.66 - £76.61 = £29.95 (reduction) Value of time lost to off-croft work when smallholder introduces cattle: 40 hrs/yr @ £4.65/hr = £186/yr/cow (increase) <u>Income Foregone</u> = £29.95 - £77.30 + £186 = £138.65 per cow introduced</p> <p><u>Additional Costs</u>: Annual charge to service capital and interest required to: Purchase cattle = £115.20 Purchase quota = <u>£11.71</u> Sub-total: £126.91 per cow introduced Erect buildings = £1,974 (minimum)</p>	<p>£5.00 per ha</p> <p>£340.00 per ha</p>

Prescription	Calculation						
	No. cows introduced	Inbye hectarage	Income foregone £	Additional costs Annual charges Purchase of cattle & quota £	Annual charges Building costs £	Total £	Total/hectare
9.2 Retention or introduction of Cattle of native or traditional breed(s) in Crofting Areas (must be adopted in combination with Prescription 9.1).	10	20	1386.5	1269.10	1974.00	4629.60	231.48
	9	18	1247.85	1142.19	1974.00	4364.04	242.45
	8	16	1109.20	1015.28	1974.00	4098.48	256.15
	7	14	970.55	888.37	1974.00	3832.92	273.78
	6	12	831.90	761.46	1974.00	3567.36	297.28
	5	10	693.25	634.55	1974.00	3301.80	330.18
	4	8	554.60	507.64	1974.00	3036.24	379.53
	3	6	415.95	380.73	1974.00	2770.68	461.78
	2	4	277.30	253.82	1974.00	2505.12	626.28
							3098.91
						Average cost per ha = £344.32 Proposed Rate = £340 per ha	

Assumptions At least 2 ha land (inbye) required to maintain each cow introduced and that a ‘herd’ comprises at least 2 cows.

250m² GP/Cattle Building @ £120/m² required to accommodate up to 10 cows (and calves) with space for storage of up to 45 tonnes of hay; also dungstead approx £12,000.

CCAGS grant rate for building = 50%.

9.2 (Continued) – AGREEMENTS ENTERED INTO UNDER THE FOLLOWING OLD AGRI-ENVIRONMENT SCHEMES WHICH WILL CONTINUE

- (a) Habitats Scheme – approved under Council Regulation (EEC) No. 2078/92 by Commission Decision C(94)2485. The number of existing agreements which will continue is 155. The total public cost of these agreements over the life of the Plan is 4.44 meuros.

The Habitats Scheme closed to new applications on 1 January 1997. There are no changes to the Scheme.

- (b) Heather Moorland Scheme – approved under Council Regulation (EEC) No. 2078/92 by Commission Decision. The number of existing agreements which will continue is 4. The total public cost of these agreements over the life of the Plan is 0.12 meuros.

The Heather Moorland Scheme closed to new applications on 1 January 1997. There are no changes to the Scheme.

- (c) Organic Aid Scheme – approved under Council Regulation (EEC) No. 2078/92 by Commission Decision. There are changes to the Organic Aid Scheme, which remains open for applications. Text on the Scheme is included in the next section. The number of existing agreements which will continue is 428. The total public cost of these agreements over the life of the Plan is 17.32 meuros.

- (d) Countryside Premium Scheme – approved under Council Regulation (EEC) No. 2078/92 by Commission Decision C (97)89. The number of existing agreements which will continue is 1201. The total public cost of these agreements over the life of the Plan is 24.93 meuros.

The Countryside Premium Scheme closes to new applications on 31 July 2000. There are no changes to the Scheme.

- (e) Environmentally Sensitive Area Schemes – 10 Schemes approved under Council Regulation (EEC) No. 2078/92. Modification to some of these Schemes is proposed. Full details of all of the Schemes (including those that are to remain unchanged) have already been included in the RDP. All of the Schemes will close to new applications later this year. The number of existing agreements which will continue is 2726. The total public cost of these agreements over the life of the Plan is 44.29 meuros.

AGRI-ENVIRONMENT: CONVERSION TO ORGANIC FARMING

Background

9.2.32 An organic aid scheme was first introduced for Scotland in July 1994 as part of the Scottish Agri-Environment Programme (EC Regulation 2078/92). The scheme provides financial assistance to farmers and crofters who wish to convert their land to organic standards. Under the Scottish Rural Development Plan we WILL continue to make payments for providing an incentive to farmers and crofters to convert to organic farming methods in accordance with Articles 2 and 22 of Council Regulation 1257/99. The OAS as operated under Regulation 2078/92 is being carried forward under the Plan.

9.2.33 Until the end of 1999 the low input system of farming and organic production was regulated by EC Regulation 2092/91, and provides a mechanism for producing significant

environmental gains. Demand for organic produce is now strong with many major food outlets now stocking produce with an organic label. The opportunity exists therefore for the organic farming sector to expand and to produce further environmental gains. However, the need to practice organic farming methods for a period of 2 years before produce can be sold as organic gives rise to a substantial reduction in income during the conversion period, which most producers would find it difficult or impossible to finance. In order to secure the environmental gains produced by organic farming, there is therefore a need to provide assistance to farmers and crofters wishing to convert to overcome the income deficit during the conversion period.

9.2.34 In the Period 1994 to 1999 approximately 200 farmers in Scotland have received aid from the Organic Aid Scheme (OAS) under Regulation (EEC) 2078/92. A total around 212,000 ha has been or is being converted to the organic farming system. As regards land type, this figure comprises 13,000 ha of eligible arable land, 16,000 ha of improved grassland and 183,000 ha rough grazing or unimproved grassland. Payments to farmers in 1999-00 amounted to £7.2 million (1.9m euros).

9.2.35 Organic farmers seek to avoid the use of pesticides, synthetically compounded fertilisers, livestock feed additives and growth regulators. They are therefore contributing to the maintenance of biodiversity. They also give rise to one of the indicators in the UK Biodiversity Action Plan. As far as possible they rely on crop residues, crop rotations, green manures, legumes, animal manures, organic wastes, mineral bearing rocks, biological pest control and mechanical cultivation to sustain soil tilth and productivity, to supply plant nutrients and to control weeds, insects and other pests.

9.2.36 For food to be sold as “organic”, it is necessary for it to be produced in accordance with certain specified standards. For crops, these standards had until the end of 1999 been based on EC Regulation 2092/91; for livestock standards, set by the Compendium of UK Organic Standards will be based on Regulation 1804/99. The Compendium also sets guidelines to ensure the protection of environmental features and semi-natural habitats.

9.2.37 To become a recognised organic producer the farmer is required to join an “approved sector body” accepted by the Compendium of UK Organic Standards. In Scotland, these are the Scottish Organic Producers’ Association, the Soil Association and the Bio-dynamic Agricultural Association. The approved sector body advises on conversion to organic farming and approves a “conversion plan” for achieving organic status. Subsequently it inspects the farm, croft or common grazing to check that organic standards are being maintained. DEFRA itself checks that the approved sector bodies are applying organic standards consistently by undertaking, unannounced checks on behalf of this Department. Such checks represent 8% of all scheme participants which is in excess of the 5 % requirement currently laid down in Article 19 of EC Regulation 746/96 and in Article 47 of the EC Implementing Regulation 1750/99. In addition, Department Area Office staff also undertake inspections based on risk analysis of 5 % of all claims received.

Description of the strategy proposed to further promote organic production:

9.2.38 The Scottish Executive is committed to encouraging the uptake of organic farming which is seen as an important element of rural development through marketing, employment opportunities and conservation enhancement through environmentally friendly production.

9.2.39 The Executive has worked closely with the organic sector to ensure that organic expansion occurs in a way which is sensitive to the environment and achieves an acceptable balance between agencies and other land uses. The main features of organic farming in relation to caring for the environment are as follows:

- a. Organic production systems are designed to produce optimum quantities of food of high nutritional quality by using management practices which aim to avoid the use of agri-chemical inputs and which minimise damage to the environment and wildlife.
- b. These systems entail the adoption of management practices which underpin and support the principles and aims of organic production. The principles include:-
 - Working with natural systems rather than seeking to dominate them.
 - The encouragement of biological cycles involving micro-organisms, soil flora and fauna, plants and animals.
 - The maintenance of valuable existing landscape features and adequate habitats for the production of wildlife with particular regard to endangered species.
 - Careful attention to animal welfare considerations.
 - The avoidance of pollution.
 - Consideration for the wider social and ecological impact of the farming system.
- c. When applied these principles result in production practices whose key characteristics are:
 - the adoption of sound rotations;
 - the extensive and rational use of animal manure and vegetable wastes;
 - the use of appropriate inputs;
 - appropriate cultivation, weed and pest control techniques; and
 - the observance of conservation principles.

Description and effect of scheme measures

Description

9.2.40 Specific Government support for organic farming has been available since 1994. The Organic Aid Scheme offers aid for farmers throughout Scotland who are converting to organic production methods and managing their land in environmentally beneficial ways. The OAS operates throughout Scotland and is not restricted to any specific areas. Similar schemes operate in England, Wales and Northern Ireland.

9.2.41 Conversion aid under the OAS is paid annually in arrears for 5 years per parcel of land. A farmer is not obliged to convert his entire holding but must offer at least one hectare to the Scheme. A farmer may opt for a staged conversion in which parcels of land are entered into the OAS over a period not exceeding 5 years. In all cases, the farmer must undertake to farm in accordance with the Compendium of UK Organic Standards and must have obtained from a UK sector body a certificate of registration for all land entered. Financial support is available to organic producers for the cost of professional advisory help in producing an organic conversion plan. Payment is as follows: 50% of actual cost with maximum £300.

9.2.42 A maintenance payment is available which provides payments on a selective basis to organic producers beyond the initial five year period. Qualification for this payment is subject to the producer's adherence to certain environmental criteria.

9.2.43 During the 5 year period for which payments are made, the farmer must maintain his annual registration with a sector body which confirms that he is farming according to the Compendium of UK Organic Standards. The farmer must complete a series of environmental management prescriptions, such as:-

- The retention of heathland and other grassland of conservation value;
- The retention of traditional farm boundaries;
- The retention of copses and woodlands;
- The maintenance of streams, ponds and wetlands;
- Restrictions on both the application of manures and ditch maintenance.

9.2.44 Conversion aid payments are made per hectare according to 4 land categories and reflect the income foregone during the conversion of the land to full organic status and the costs incurred in implementing the environmental management prescriptions. The aid plays a valuable role in helping to protect and enhance the environment as well as assisting producers to meet consumer demand for organic products. Financial support for capital items associated with conversion to organic status is available to organic converters.

Legal Basis

9.2.45 The Organic Aid (Scotland) Regulations 1994 (made under the European Communities Act 1972) empower Ministers of the Scottish Executive to make conversion payments to farmers in Scotland who undertake to introduce organic farming methods and comply with certain environmental management conditions. The Regulations were made pursuant to Council Regulation (EEC) No 2078/92.

Aid Intensity

9.2.46 Payments are wholly funded from public ie EU and national funds.

Community Contribution

9.2.47 The Community contribution under this Scheme will be 50% of total eligible public expenditure (75% in Objective 1 areas).

Description of measures contemplated under Rural Development Regulation 1257/99

9.2.48 The specific practices needed to respect the conservation principle of organic production will depend upon the individual circumstances on each farm/croft and the individual plans approved for that unit. Conservation in organic farming is very important. The main principles to be followed include:

- Concern for the environment should manifest itself in willingness to consult appropriate conservation bodies and in high standards of conservation management throughout the organic holding.
- Natural features such as streams, ponds, wetlands, heathland and species-rich grassland should be retained as far as possible.
- Grazing management of natural (or semi-natural) habitats such as grassland, heath, moorland, heather and bog and rushy upland, should aim to prevent poaching of the soil and overgrazing. Localised heavy stocking particularly in the nesting season should be avoided.
- Hedges and walls should be retained and managed using traditional methods and materials as far as possible.
- In hedge and ditch maintenance the nesting season and wildlife requirements for winter feeding or shelter should be taken into account. Hedge trimming and ditch cleaning should generally not take place between 1 March and 31 August. Where practicable, the maintenance of hedges should result in hedges at diverse stages of growth.
- If it is considered that there are reasonable grounds for alteration to hedges or to field boundaries these should first be discussed with a Conservation Adviser. If alteration does prove to be necessary, consideration should be given to the need for compensatory environmental work.
- The retention and management of trees in accordance with local custom and woodland practice is essential. Where re-planting is to take place, indigenous varieties of trees and shrubs should be given preference. Where practicable, natural regeneration and coppicing of appropriate species should be practised.
- Clear felling should be restricted so as to retain a diversity of age classes and habitat within the woodland areas of the holding.

- Care should be taken in the spreading of manures and slurry. The application of manure within 10 metres of ditches and watercourses and within 50 metres of wells and bore holes should be avoided. The spreading of manure or slurry on frozen ground or on saturated ground should be avoided, so as to prevent excess run off.
- The land management should seek to preserve features of archaeological or historical value or interest avoiding, for example, the levelling of ridge and furrow, and the cultivation of monuments or earth works.
- New buildings should be designed and located to have minimum impact on the landscape.

9.2.49 Other elements

- a) Payment will be made for conversion to organic farming under Article 22 of EC Regulation 1257/99.
- b) Eligibility conditions - for organic farming the basic eligibility condition is registration with an organic sector body and to abide by their rules and conditions at all times.
- c) Hectarage limit – the hectarage limits for the different categories of land are intended to ensure that the environmental benefits are spread geographically.
- d) Good Farming Practice (GFP) - aid will only be made if environmental benefit is seen to exceed that regarded as good farming practice. Existing agri-environment schemes already include a requirement to observe general environmental conditions which will have broadly the same effect as GFP. Article 23 of EC Regulation 1257/99 refers.
- e) Ongoing contracts from previous period, including financial terms, and procedures/rules which apply to these .

Future of organic farming aid under rural development

9.2.50 Participants are required to operate within the rules of the scheme. If the establishment of organically farmed land is not to acceptable standards any monies paid may be reclaimed either in part or in full. Inspections will be carried out annually by an organic sector body in line with the Compendium of UK Organic Standards and SEERAD to ensure participants are complying with the requirements of the Scheme.

9.2.51 Revised organic scheme may follow a review of aid for conversion to be undertaken in 2001. In broad terms it is likely to be based on the existing scheme but the timing of its introduction and the precise conditions which it will lay down will depend on the lessons drawn from the review. Supporting documentation for a new organic conversion aid scheme, in particular covering the headings listed below, will be submitted when proposals are identified.

- justification for undertakings together with their expected impact
- precise detail of obligations on farmers and any other conditions of agreement, including scope and procedures for adjusting running contracts
- description of coverage of measure showing extent of application according to needs, degree of targeting in terms of geographical, sectoral or other coverage
- detailed agronomic calculations showing:
 - a. income foregone and cost incurred with regard to usual good agricultural practice;
 - b. agronomic assumptions used as a reference point;
 - c. level of incentive and justification of incentive based on objective criteria.
- possibility of combination of undertakings and coherence between them.

BASIS OF CALCULATIONS (OAS)

BASIS OF CALCULATIONS (OAS)

9.2.52 The income foregone and additional costs on which the payment rates above are based have been set out in the tables below. The payment rates for improved grassland for the first five years remain unchanged from those in the current scheme. Rates for converting eligible arable land to mixed arable and beef, unimproved grassland and rough grazing and that for vegetables, soft and top fruit have been calculated using a methodology similar to that which was used to calculate the rates that were approved under Rural Development Regulation (EC. 1257/1999).

Arable to mixed Arable/Beef Conversion

	Year1	Year 2	Years 3-10 inc., totals	Total
1. Average Enterprise Gross Farm Margin loss while in conversion	260	260		520
2. Fixed Cost increase ¹	16	16	128	160
3. Cost of Certification ¹	14	14	112	140
4. Income Forgone	290	290	240	820
5. Proposed Payments	220	220	305	745
6. Difference 4-5	-70	-70	65	-75

1. Includes allowance for fencing and animal housing for livestock enterprise. Certification costs are based on those charged by certification bodies.

9.2.53 The costings are based on conversion from arable to mixed arable and beef. It has been assumed that for the purposes of the income foregone calculation, the additional costs incurred during conversion from conventional to organic farming all occur within the first

two years. Income generated from organic production in the subsequent eight years of the agreement is speculative and consequently no allowance has been made for income foregone, although there may be some loss. Fixed cost increases and certification costs are assumed to be borne every year and have been included in all ten years.

Conversion of Improved Land

	Year 1	Year 2	Year 3-4 inc.	Year 5	Years 6-10 inc.	Total
1. Average Enterprise Gross Farm Margin loss while in conversion						
2. Cost of Certification					14	
3. Income Forgone					14	
4. Proposed Payments	90	90	37.50	17.50	14	
5. Difference					0	

9.2.54 The 1999 calculations for the Improved Grassland rate were based on a market income loss and a loss of subsidy as a consequence of a reduction in headage rates with a corresponding loss of SCP and BSP. 25% of the OAS payment for improved grassland is accounted for by the reduction in subsidy from a reduction in headage rates. The rates have been reduced accordingly.

9.2.55 It is proposed to introduce an on-going payment from years 6 to 10. This payment will cover only loss of income arising from costs of certification. No allowance has been made for any other reduction in income that might occur in years 6 to 10.

Conversion of unimproved land and rough grazing

	Year1	Year 2	Years 3-10 inc.	Total
1. Average Enterprise Gross Farm Margin loss while in conversion	0	0		0
2. Cost of Certification	6	6	6	60
3. Income Forgone	6	6	6	60
4. Proposed Payment	5	5	5	50
5. Difference	-1	-1	-1	-10

9.2.56 These costings are based on the conversion of hill beef and sheep enterprises. For practical purposes, the income foregone calculation is based on conversion over the first two years. Farming in hill areas of Scotland is already extensive and it is anticipated that there would be little or no change in stocking densities during conversion. There are unlikely to be any additional costs associated with conversion to organic farming there is therefore assumed to be no change in gross margin. Again, income change in years 3 to 10 is speculative so no allowance has been made for any change. Certification costs for this type of farm are lower than that for others and an adjustment has accordingly been made to the cost of certification over the ten-year period.

Vegetable and Fruit

	Year1	Year 2	Years 3-10 inc.	Total
1. Average Enterprise Gross Farm Margin loss while in conversion	633	633		1266
2. Fixed Cost increase	25	25	25	250
3. Cost of Certification	14	14	14	140
4. Income Forgone	672	672	39	1656
5. Proposed Payment	300	300	14	712
6. Difference	-372	-372	-25	-944

9.2.57 These costings have been based on an average gross margin loss for vegetable and soft fruit enterprises. They assume that income foregone and any additional conversion costs occur during the first two years. Income foregone in years 3 to 10 is assumed to be speculative and will crucially be dependent on yields, which have recently been good, particularly for organic vegetables. Certification costs are assumed to be the same as that for conversion of arable enterprises and they are assumed to cover additional machinery and weeding costs.

ANNUALISATION OF PAYMENT RATES FOR CAPITAL ITEMS WITHIN OAS

ITEM		EXISTING RATE (£)	ANNUALISED PAYMENT RATES (£)						
			On entry	End of Year 1	End of Year 2	End of Year 3	End of Year 4	End of Year 5	Total
1	Erection of:								
	a. Stock fence	£3.30	£0.83	£0.87	£0.74	£0.39	£0.42	£0.44	£3.69
	b. Gate & posts	£28.00	£7.00	£7.38	£6.29	£3.33	£3.53	£3.75	£31.28
	c. Single Stile	£25.00	£6.25	£6.59	£5.62	£2.98	£3.16	£3.35	£27.95
	d. Double stile	£45.00	£11.25	£11.87	£10.11	£5.36	£5.68	£6.02	£50.29
	e. Convert stock fence to deer fence	£3	£0.75	£0.79	£0.67	£0.36	£0.38	£0.40	£3.35
	f. Scare, temporary or rabbit fence	£1.60	£0.40	£0.42	£0.36	£0.19	£0.20	£0.21	£1.78
	h. Post & rail for guarding trees/water gates etc	£8.50	£2.13	£2.24	£1.91	£1.01	£1.07	£1.14	£9.50
2	Building or restoring drystone or flagstone dykes or walls (including mortared walls)	£20.00	£5.00	£5.27	£4.49	£2.38	£2.52	£2.68	£23.34
3	Self supporting guard for hedge plants	£1.10	£0.28	£0.29	£0.25	£0.13	£0.14	£0.15	£1.24
4	Water Trough	£200	£52.5	£52.75	£44.94	£23.82	£25.25	£26.76	£223.52

Agri-Environment Prescriptions

Buffer areas

Aim

9.2.58 The creation of buffer areas will provide a habitat for invertebrates, birds and small mammals, help establish a network of wildlife corridors, and reduce the risk of pollutants entering wetland areas and watercourses.

Management requirement

9.2.59 Establish a buffer area (3m-6m wide) in arable fields or on improved grassland along water courses, around areas of wetland, species rich grassland, woodland or archaeological sites. There must be no cultivation, or application of fertiliser, manure or pesticides, and no supplementary feeding of stock, storage of materials or machinery. There are no restrictions on cutting in the managed area. Grazing may be permitted provided there is no environmental damage. Scrub may be controlled where it is necessary in order to comply with Good Agricultural Environmental Conditions (GAEC).

9.2.60 In addition, for prominent, individual in-field and ancient trees on the landscape:

- A buffer area reaching at least the length of the canopy should be established.
- Fallen timber should be left on the buffer area.
- If the tree falls it should be replaced to provide continuity on the landscape, although the deadwood should be left behind.

Expected benefits

9.2.61 This measure will help to improved habitats and increase biodiversity as well as reduce the risk of pollution. It will also help to protect archaeological sites and prominent, individual in-field and ancient trees on the landscape.

Payment rate

9.2.62 £200.00 per hectare per year.

Biodiversity Cropping on In-Bye

Aim

9.2.63 To increase the conservation value of arable land in LFA by encouraging traditional cropping rotations that will provide cover and feeding areas for birds.

Management requirement

9.2.64 Sow plots of spring cereals, fodder root crops or fodder rape up to 2 hectares in size and totalling no more than 4 hectares over the whole unit. Following cropping, the area must not be ploughed or cultivated before 28 February of the following year. No herbicides or insecticides may be applied. A higher payment will be made available when a cereal crop is harvested by binder and the stooks gathered into stacks.

Expected benefits

9.2.65 Increase numbers of declining species of bird

Payment rate

9.2.66 The basic rate is £40.00 per hectare per year with a higher rate of £150.00 per hectare per year (which includes the £40.00 basic rate)

Retention of Winter Stubble

Aim

9.2.67 To provide feeding and breeding areas for seed-eating birds over winter. Also to reduce the erosive action and sediment loss from soils to water courses over the winter months.

Management requirement

9.2.68 Following harvest of spring sown crops, stubbles must be retained until end of February. No herbicides to be applied.

Expected benefits

9.2.69 To provide feeding areas for seed eating birds over winter.

Payment rate

9.2.70 £40.00 per hectare per year.

Wild Bird Seed Mixture

Aim

9.2.71 To create patches or plots of bird seed and bird cover, through sowing mixtures of seed-bearing crops, to benefit birds and invertebrates.

Management requirement

9.2.72 This type of crop will feed seed-eating birds where there is little remaining food source.

- Sow a mixture (or a mix of rows) of at least three seed bearing crops (eg a cereal, kale, quinoa).
- Sow in strips at least 6 metres wide at the edges of fields and/or in blocks. Blocks should not exceed 0.5 hectares and there should be no more than one block per 20 hectares.
- To maintain seed production, re-sow at least every other year.
- Only apply fertiliser or manure if necessary for establishment.
- Apply herbicides only to spot treat or weed wipe for the control of injurious weeds, (ie creeping, spear or field thistle, curled or broadleaved dock, and common ragwort), or invasive alien species (eg Himalayan balsam, rhododendron or Japanese knotweed). However, Glyphosate may be used prior to spring re-sowing to facilitate re-establishment.
- Do not apply any other pesticides.
- The area should not be used for access, turning or storage, or grazing.
- Crops are best sited close to hedgerows or other areas of cover.

Expected benefits

9.2.73 Increase in areas of suitable feeding for birds. Positive impacts for biodiversity.

Payment rate

9.2.74 £329.00 per hectare per year.

Summer Grazing of Unenclosed Land by Cattle

Aim

9.2.75 To maintain or restore a balance between heather (or other dwarf shrubs) and the coarser moorland grasses which tend to become dominant under heavy sheep grazing and to improve the diversity of grassland communities.

Management requirement

9.2.76 Turn cattle out onto unenclosed or hill land on or before 1 June and keep there for at least three months. Ensure that grazing is evenly distributed and that there are adequate sheltered areas where the ground is firm and free-draining. Pay special attention to GAEC requirements for any areas of wetter ground or woodland, specifically those relating to overgrazing, trampling and supplementary feeding. This measure could cover all or part of the unenclosed ground of the holding. At least one bovine per 25 hectares should be turned out onto identified unenclosed or hill land. The cattle must be at least 6 months of age at the start of the grazing period.

Expected benefits

9.2.77 A varied vegetation structure can maintain and enhance unimproved and moorland habitat. This will encourage invertebrates, small mammals and birds.

Payment rate

9.2.88 £1.00 per hectare per year.

9.2.63 Management of Rush Pasture

Aim

9.2.89 To create and maintain mixtures of rushes and grassland at variable densities, opening up areas of dense rushes to provide a mixed rush and grassland habitat.

Management requirement

9.2.90 Management of areas of dense rushes (over 50% rushes) by annual grazing and /or cutting. August to March grazing by cattle to remove and thin rushes by up to two thirds; or August to March cutting of up to two thirds of rushes in random patterns, to leave an open, variable mix of rushes and grass pasture. Cutting may be followed by aftermath grazing, or heavy rolling.

Expected benefits

9.2.91 The result will be a mosaic of rush and open pasture which will encourage a greater diversity and number of bird species.

Payment rate

9.2.92 £125.00 per hectare per year.

Management of Linear Features

Aim

9.2.93 To ensure the positive management for biodiversity of farm hedgerows, hedgerow trees, ditches and streams, and dykes by sensitive cutting, clearing and/or reinstatement practices. This will create and improve nesting habitats for breeding farmland birds, invertebrates and a range of plants.

Management requirement

Hedgerows and hedgerow trees

9.2.94 Cut hedges no more frequently than every third year; only one third of hedges to be cut in any one year. Manage hedges over a number of years to achieve a minimum height of 1.5 metres and minimum width at base of 2 metres, in an a-frame shape. Cutting of hedges and coppicing, pollarding or lopping of hedgerow trees is permitted only between 1 December and 1 March. Hedge laying is encouraged as part of hedgerow management. Where possible, encourage the development of hedgerow trees at intervals in the hedge, by marking and not cutting. Plant native species to fill in gaps in hedges. Limit for hedges will be 50 metres per hectare of the farm area.

Ditches and streams

9.2.95 Clear ditches no more frequently than one year in three; and no more than one third of ditches in any one year. Ditches to be cleared, and bankside vegetation only to be cut, between 1 September and 31 January. Cut vegetation, clear and re-profile only on one side of a ditch on any occasion. Where possible, banks should have shallow sloping sides (ideally 10° or less), to encourage plant diversity and benefit waders and other bird species. Spoil should be spread across the field and levelled, not mounded on the bank. Limit for ditches will be 5 metres per hectare of the farm area.

Drystone / flagstone dykes and walls

9.2.96 Repair and reinstate deteriorated and damaged drystone walls; replace coping and minor damage, including collapsed sections of wall less than 2 metres in length. Limit for dykes will be 50 square metres per hectare of the farm area.

Expected benefits

9.2.97 Positive biodiversity improvements. Enhancement to landscape and reduce the risk of ditch bank erosion.

Payment rate

9.2.98 Hedgerows and hedgerow trees: £0.10 per square metre per year.

Ditches and streams: £1.00 per square metre per year.

Dykes: £0.10 per square metre per year.

Management of Moorland Grazing

Aim

9.2.99 To encourage changes in management practices to benefit a diverse range of habitats within moorland of conservation interest, including feeding and breeding sites for birds and animals and a wide range of insects and plants.

Management requirement

9.2.100 To prepare and carry out a grazing plan including shepherding, stock management and feeding practices to benefit the conservation interest of the moorland. In order to be eligible for this option, the moorland must be used for agricultural livestock production.

Expected benefits

9.2.101 Improvements to moorland habitat and increased diversity of invertebrates, plants, birds and animals. Landscape benefits from heather retention.

Payment rate

9.2.102 £1.00 per hectare per year.

Nutrient Management on In-bye Improved Land

Aim

9.2.103 To encourage farmers to match inorganic and organic fertiliser (including slurry) applications to crop requirements in order to decrease diffuse pollution on in by improved land.

Management requirement

9.2.104

- Carry out regular soil analysis in field to ascertain the pH, nutrient status and trace element levels.
- Assess crop nutrient requirements dependent on soil analysis and cropping
- Identify in a record no-spread zones (including areas of steep slopes; free-draining sandy soils; unimproved land; areas at risk from flooding or waterlogged areas),
- Time fertiliser applications to promote maximum uptake of nutrients by the crop.
- Keep records of what is applied to the field and the timing of the application

Expected benefits

9.2.105 Reduction in diffuse pollution arising from more efficient take up of fertilisers by crops, coupled with better targeting of applications by farmers. Over a 5-year period a reduction of 5% can be expected where a soil analysis has been carried out. The reduction is expected to be concentrated in the cropping area, which is a relatively small proportion of Scotland's farm land. Reductions can be expected primarily where soil analyses have not been used in the past, and where the analysis shows scope for a reduction in the quantity of fertilisers to be applied. This target has been developed in consultation from the Scottish Agricultural College and has been agreed with the Scottish Environment Protection Agency (the relevant statutory body).

Payment rate

9.2.107 £2.00 per hectare per year.

Animal Health and Welfare Programme

9.2.108 Participation in animal health and welfare management programme will be a 5 year commitment by the farmer to work with their vet and other relevant advisers to assess animal health and welfare challenges and opportunities on their farms and to respond to them. It is more than the production of a plan. The fundamental point is to assess the animal health and welfare standards on the farm to determine priorities for action and then implement these

actions to raise standards. The programme approach recognises that the commitment of the farmer is to carrying out the actions identified in the plan assessment of animal health and welfare he conducts with his veterinary surgeon.

9.2.109 The first part of the programme's implementation will be for the farmer to develop an animal health and welfare plan assessment for their farm enterprise in conjunction with their veterinary adviser. This will involve a rigorous analysis of the farm's animal husbandry practice, environmental conditions, current disease situation and horizon scanning for potential emerging disease threats. On the basis of this analysis the farmer and the vet will agree an action programme with specific actions the farmer must undertake to receive payment.

9.2.110 The farmer will be expected to undertake a set of actions to address the issues identified which will lead to the raising of animal health and welfare standards. Many of these actions will be undertaken by the farmer himself and the funding will provide compensation for income forgone and costs incurred. Some of the tasks involved to implement the plan will require the buying in of specific services.

Other information

9.2.111 Those signing up to this option within the LMC Menu Scheme will be eligible to receive assistance under this measure as part of their LMC budget. The emphasis in the use of this budget will be on undertaking the agreed actions to implement the agreed plan arising from the analysis. The SRDP will meet 75% of eligible costs with the farmer being expected to contribute the remaining costs.

9.2.112 To be eligible to claim funding the farmer will need to provide receipts of any purchased services. For those activities which he undertakes himself the time required to do so will be set out in the agreed animal health and welfare programme. All activities are above the minimum standards required and take into account Council Directive 95/58/EC. transposed in domestic legislation, The Welfare of Farmed Animals (Scotland) Regulations 2000. The supported actions will not relate to the control of notifiable diseases which are already subject to statutory regimes.

9.2.113 The list below sets out the eligible activities for support under this measure. Not all the activities will be applicable to all farm businesses and will be selected as a consequence of the farmers animal health and welfare assessment. Pigs and poultry are excluded from this measure. Actions 1 – 2 are compulsory on the farmer as part of the assessment.

- i. Implement a proactive scheme for the use of treatments, including guidance on the use of veterinary advice and treatment.
Payment rate - £155.50 per farmer per year for 5 years
- ii. Implement a proactive scheme for the use of vaccines and routine medications.
Payment rate - £65.00 per farmer per year for 5 years

- iii. Undertake additional inspection and monitoring to collate performance indicators and analyse all significant animal and health and welfare related observations arising from inspections and implement an action plan to measure performance.
Payment rate – £320.00 per farmer per year for 5 years
- iv. Produce an action plan to ensure the safe integration of new stock on farm and minimise the risk of spreading disease by maintaining fences around isolation areas to enhance biosecurity levels and to prevent diseases from entering the herd/flock. The maximum fencing that can be entered into this option is 3000m.
Payment rate – £30 per farmer once in 5 year period
- £0.10 per running metre per farmer per year for 5 years
- v. On the advice of the veterinary surgeon to undertake sampling to identify diseases / conditions such as twin lamb disease or copper deficiency, which may be present on farm having a negative impact on animal health and welfare and take informed control measures to address conditions.
Payment rate - £155.00 per farmer per year for 5 years
- vi. Analyse forages and obtain professional nutritional advice and implement advice from report.
Payment rate - £110.00 per farmer once in 5 year period

To be eligible to undertake all the options under amendment 15 a farmer must have at least 4 livestock units. A farmer with less than 4 livestock units will not be eligible to undertake any options.

9.3: SUPPORT FOR SUSTAINABLE FARMING IN SCOTLAND'S LESS-FAVOURED AREAS (PRIORITY 1, MEASURE 1)

Introduction

9.3.1 Elsewhere in the Plan, there is a description of the circumstances in which farming operates in Scotland's Less-Favoured Areas (LFA), and the rationale for continued support for these farming systems during the lifetime of the Plan. This Section sets out the specific arrangements that will operate in 2000 and for the period 2001 to 2006. Of particular importance to the latter, are the details of the criteria that will be used to determine the necessary area payments to individual farmers and crofters.

Hill Livestock Compensatory Allowances Scheme – 2000

Background

9.3.2 The Scottish Executive will take advantage of the scope offered by the Transitional Regulation to continue the previous Hill Livestock Compensatory Allowances (HLCA) scheme. The scheme provides for headage payments to be made (in accordance with article 7 of EC 2603/1999) on eligible breeding cattle and breeding sheep forming part of a regular breeding herd or flock maintained in the Scottish LFA. Payments are co-financed by Community funds.

Rates of Aid

9.3.3 Payment are made under the transitional arrangements at the following rates:

AREA	RATES
In Severely Disadvantaged Areas	£ 73.39 per Eligible Breeding Cow Supplement payable in Highlands & Islands Enterprise Area – Area A - £4.71, Area B - £17.91, Area C - £24.51
	£8.88 per eligible ewe of approved breeds in specially qualified flocks Supplement payable in Highlands & Islands Enterprise Area – £0.99 (all areas)
	£4.64 per other qualified ewe
	Payment restricted to £102.75 per hectare of eligible land available to the claimant
In Disadvantaged Areas	£ 36.69 per Eligible Breeding Cow
	£4.09 per eligible ewe
	Payment restricted to £60.85 per hectare of eligible land available to the claimant

Eligibility Criteria

9.3.4 To be eligible for assistance under the transitional arrangements, farmers, crofters etc will be expected to meet certain conditions. These are:

- a. Producers must farm at least 3 hectares of eligible forage land in the Scottish Less-Favoured Area (LFA);
- b. Eligible land is that which lies within the Scottish LFAs and which meets the definition of forage area for the purpose of the IACS area aid application (as governed by Regulation 3887/1992);
- c. Payments will only be made to Producers who maintain beef breeding herds and sheep breeding flocks on their eligible land for a specified period of retention. In the case of claimed cattle, the animals must have been retained for a period of three months starting the day after the claim was received. In the case of claimed sheep, the animals must be retained during the period 5 February to 14 May 2000.
- d. Producers will be required to observe a maximum stocking rate of 1.4 LUs/ha, with subsidiary limits relating to ewes set at a maximum of 6 ewes (0.9 LUs/ha in the Severely Disadvantaged Areas (SDAs) and 9 ewes (1.35 LUs/ha) in the Disadvantaged Areas (DAs). No payment will be made on stock carried above these levels;
- e. In accordance with Article 14(2) of Regulation 1257/1999 farmers must undertake to farm in the less favoured areas for 5 years from the first payment of a compensatory allowance, including those paid under Regulation 950/1997 and its predecessor;
- f. Producers must meet the requirements of Good Farming Practice in order to receive payment;
- g. Producers must adhere to the requirements of Article 14(3) of Regulation 1257/1999 on the non-use of prohibited substances;
- h. Producers must meet requirements favouring the environment or promoting sustainable agriculture, which are applied to cattle or sheep schemes under Council Regulation 1259/1999 and are a condition of compensatory allowances.

Level of Aid and Administrative Procedures

9.3.5 As the payment arrangements under the transitional arrangements were primarily the same as under the 1994-1999 programming period, the level of aid was also unchanged from that provided in the final year of that period.

9.3.6 Administrative arrangement followed the IACS model and the general rules on payment accreditation. Claims were made separately for eligible sheep and cattle; claims for sheep were combined with those for the Sheep Annual Premium Scheme; claims for cattle will be made individually. All claims were administratively checked and loaded onto the Executive's Scottish Integrated Administration and Control Systems (SIACS). The claimant information was checked with existing business details and with IACS declared information to determine if a valid Area Aid Application existed and that theirs contained LFA land. In respect of cattle claims, ear tag numbers were automatically checked for duplicates with other claims for LFA compensatory allowances and for subsidies under the main beef regimes. In addition, 10% of sheep and cattle claims respectively were selected for inspection using a risk based methodology. At least 5% of the inspection were carried out within the retention periods. Further management checks will also be carried out in line with established procedures.

9.3.7 Any breach of the terms of Article 14(3) of Regulation 1257/1999 detected as part of the State Veterinary Service's inspection regime will be notified to those responsible for overseeing the LFA compensatory allowances so that the relevant penalties can be implemented.

9.3.8 Penalties for the over-declaration of animal number will be applied in line with article 10 of the Regulation 3887/1992. Any breaches of other scheme requirements may result in recovery of all or part of the payments made. A penalty system will be applied as outlined at Chapter 12.5 (Controls, Sanctions, and Penalties). Serious offences, such as preventing an inspector from carrying out his/her duties will be punishable under national law. An annual report on the operation of the Department's control and inspection regime will be submitted to the Commission.

New Support Scheme – 2001 to 2006

Background

9.3.9 In considering future support for farming in the LFA under EU Council Regulation No 1257/1999, the Scottish Executive has noted the positive benefits of maintaining farming in these areas for social, economic and environmental reasons but more generally too. There is wide support for this from farming, environmental and other interests. The Executive also recognises that the move from a headage to an area-based approach presents a considerable challenge, particularly if the overall objectives of the new Regulation as set out in Article 13(A) are to be met. These objectives are:

- to ensure continued land use and thereby contribute to the maintenance of a viable rural community;
- to maintain the countryside;
- to maintain and promote sustainable farming systems which in particular take account of environmental protection requirements.

The Scottish Executive is very supportive of these broad objectives. The challenge is to devise a new scheme that meets them, yet recognises the particular nature of sustainable farming in Scotland.

Diversity of Scottish Farming

9.3.10 Virtually all Scotland's Less-Favoured Areas – which comprises 85% of its agricultural land – is classed as Severely Disadvantaged. The LFA stretches from the very south of the country to the Shetland Isles in the far north and the Western Isles in the extreme west. Some 13,000 farms and crofts normally apply for compensatory allowances each year. The diversity of farm size is extreme. The sustainability of this complex farming system must be maintained.

9.3.11 There is, therefore, a severe risk that the application of a single area-based rate for Scotland's LFA as a whole could result in (a) severe over-compensation for farmers who farm limited amounts of stock over larger areas and (b) withdrawal of support from farms who – while still farming in areas of severe natural disadvantage – are relatively productive and efficient. The land within Scotland's less favoured areas is of variable quality. The scheme set out below uses a mechanism for identifying different qualities of land and differentiating allowances to take account of these different qualities. The scheme also compensates for the additional transport costs associated with distance from markets and agricultural supplies. The scheme set out below will compensate for different degrees of natural disadvantage and duly differentiate allowances to take account of the situation in this very diverse region. The severity of permanent natural handicap, and the environmental issues which need to be tackled, the type of production and economic structure of holdings in Scotland, are all taken into account as provided for in Article 15(2) of Regulation 1257/1999.

Support Arrangements

9.3.12 The arrangements in place for 2005 are carried forward for the final year of the scheme in 2006. As historic animal data is used in 2006 additional safeguards are built in to avoid overcompensation. Producers are required to declare eligible land on AAA 2005 and separately notify any livestock changes in 2005 so that support is correctly calculated for the enterprise mix environmental element (described as **Component II** in paragraph 9.3.17). Provision is made for new entrants to the scheme. Inspections are more rigorously targeted through more specific risk analysis and are completed prior to the issue of payments

9.3.13. The scheme retains components (area based payments, measures to improve the enterprise mix, compensation for additional transportation costs or other disadvantages, a minimum payment) from the 2003 scheme and the enhanced environmental component introduced from 2004.

Area-based Payments – Component I

9.3.14 The previously used classification of Northern Upland/Southern Upland/Moorland proved difficult to apply and produced some anomalous results. Instead, under the new scheme, all businesses will be allocated to a grazing category calculated from actual stocking

levels in a base reference period (see below for the proposed base reference period). Individual fields within the farm will have the same category as the parent farm. Businesses will be allocated to the following grazing categories:

Category	Stocking density during base period	Weight
A	Less than 0.2 lu/hectare	$\frac{1}{6}$
B	Less than 0.4 lu/hectare but greater than or equal to 0.2 lu/hectare	$\frac{1}{3}$
C	Less than 0.6 lu/hectare but greater than or equal to 0.4 lu/hectare	$\frac{2}{3}$
D	Greater than or equal to 0.6 lu/hectare	$\frac{4}{5}$

9.3.15 The weight assigned to each category recognises the grazing capacity of the land and is applied to the number of hectares on each farm to calculate the hectares adjusted for grazing capacity. Thus, a business with an average stocking density of between 0.4 and 0.6 livestock units per hectare during the base reference period and a total hectareage of 150 hectares, will have an adjusted hectareage of $150 \times \frac{2}{3} = 100$. Note that for the purposes of payment rates, categories A and B will be grouped together and labelled as “More Disadvantaged Land”, and categories C and D will be grouped together as “Less Disadvantaged Land”. For details of payment rates see paragraph 9.3.19 below.

Reference Period

9.3.16 The base reference period to be used to allocate businesses to a Grazing Category will be a single year, namely 2001. Once allocated, the category allocated to a farm, and to the individual fields that make up that farm cannot be altered, although there will be an avenue for appeal for business that can argue, with good reason, that 2001 was an atypical year.

Improving the Enterprise mix – Component II

9.3.17 This measure is designed to recognise the environmental, as well as socio-economic contribution of cattle to Scotland’s rural areas, and in particular to avoid a predominance of sheep. Businesses with over 10% and over 50% of their livestock units in suckler cows or, within ring-fenced quota areas, dairy cows, will have their basic payment increased by coefficients of 1.35 and 1.70 respectively. Thus someone with between 10% and 50% of their livestock units in suckler cows will see their basic payment rate increased by 35% and those with more than 50% suckler cows will be eligible for an increase of 70%.

	Coefficient
At least 50% of livestock units are made up of suckler cows	1.70
At least 10% but less than 50% of livestock units are made up of suckler cows	1.35
Other	1.0

Additional Costs - Component III

9.3.18 Within the Scottish less favoured area some farm business operate at a relative disadvantage because of the additional transport costs associated with their distance from markets and agricultural supplies. Academic work has been carried out to assess relative transport costs by calculating the cost of travelling by van from one part of Scotland to all other parts of Scotland taking into account the economic activity of individual areas. The model used is based on “economic mass” and travel time data for each postcode sector and was modelled using a Geographical Information System. The outcome reflects concerns for disadvantages to businesses in terms of attenuated links between producers and markets. Farms in the Highlands & Islands Special Transitional Programme area have recognised historically as operating in a disadvantaged area. To compensate for these two areas of disadvantage it is proposed to have 3 zones within the LFASS. The first, which attracts the highest payment, covers all islands. Next is areas within the Highlands & Islands Special Transitional Programme area or within an area recognised as having high transport costs (which attracts the next highest payment); the final zone, which is all remaining land in the LFA, attracts the lowest payment.

9.3.19 In addition the payment rates will reflect the greater vulnerability of producers with very poor quality land. Consequently there will be differentiated payment rates within the three zones of the LFASS. For the purposes of setting payment rates land categories A and B will be grouped together as “More Disadvantaged Land” and categories C and D will be grouped together as “Less Disadvantaged Land”. These two groupings will be given different payment rates per adjusted hectare (see paragraph 9.3.15).

9.3.20 As a result the less favoured area is divided into three zones: the islands; an area that is particularly affected by high transport costs; and one that is not so badly affected. Different basic rates of payment per adjusted hectare will be applied depending upon the area in which a farm business has its main farm and also on the quality of the land on each holding. The payment rates are as follows:-

Land Category	Areas with lower transport costs	Mainland areas of disadvantage and higher transport costs	Islands
	<u>Cost per Adjusted Hectare (£)</u>	<u>Cost per Adjusted Hectare (£)</u>	<u>Cost per Adjusted Hectare (£)</u>
More Disadvantaged Land (categories A and B)	39.00	45.00	47.00
Less Disadvantaged Land (categories C and D)	33.50	39.50	41.50

Calculation of payments

9.3.21 There are two steps to calculate individual payments:

Number of hectares x Grazing Category weight x Enterprise Mix Coefficient x Payment Rate per Hectare = Payment

Although other versions of this calculation come out with the same answer, this method of calculation would make the regulation easier to administer.

Thus a 400 hectare farm in an outlying mainland area of Scotland with 20% of its livestock units in suckler cows and an overall stocking density in the base reference period of 0.35 livestock units per hectare would be entitled to an LFA payment of

$$\text{adjusted hectares} = 400 \times \frac{1}{3} = 133.33$$

$$\text{payment} = 133.33 \times £45.00 \times 1.35 = £8,100.$$

Minimum payment – Component IV

9.3.22 To recognise the inevitable costs associated with running even the smallest of farms, especially in outlying areas, there will be a new minimum payment of £350 available to all LFASS recipients. Businesses will receive either £350 or their calculated LFA payment, whichever is the greater.

Environmental Controls – Component V

9.3.23 In order that broader sustainability objectives can be achieved it is proposed that recipients of less favoured area support should abide by the following conditions:-

- to ensure the protection of rough grazing and other semi-natural areas applicants must not undertake new drainage works, ploughing, clearing, levelling, re-seeding or cultivating. Livestock must be managed to avoid poaching to a level which would destroy the natural vegetation;
- also to ensure the protection of rough grazings and other semi-natural areas, pesticides, lime or fertiliser must not be applied. Exceptions are allowed in the following circumstances:-
 1. To control weeds covered by the Weeds Act 1959;
 2. For the control of bracken with Asulam or other approved herbicides; or
 3. Exceptionally, the application of lime or fertiliser where no conservation damage will result.
- muirburn must comply with the Muirburn Code to protect and manage valuable habitats such as regenerating Scots pine, blanket bog and moorland juniper;
- participants must avoid damage to features of historical or archaeological interest and follow Scottish Executive guidance on the protection of these areas; and
- participants must follow the Scottish Executive guidance on the Prevention of Environmental Pollution from Agricultural Activity code to avoid or at least minimise the risk of pollution through good management of nutrients and effluents.

Any of these works or practices may be carried out if approved under the Environmental Impact Assessment (uncultivated and semi-natural areas) Regulations 2002.

These conditions represent a considerable increase in the current environmental condition requirements and bring LFASS beneficiaries into line with the basic requirements of Scotland's main agri-environment scheme, the Rural Stewardship Scheme.

Other Issues - Minimum and Maximum Stocking Densities

9.3.24 There will be a minimum stocking density of 0.12 livestock units per hectare to avoid overcompensation on inactive land. There will also be a maximum stocking density of 1.4 livestock units per hectare. Businesses with stocking densities less than the minimum or greater than the maximum this will receive scaled back payments. For businesses below the minimum payments will be calculated by notionally reducing the number of hectares until the minimum stocking density is reached, and basing payments on the notional hectareage so derived. Businesses above the maximum will have their payments scaled back by multiplying their payment by a factor arrived at by dividing the maximum stocking density by the actual stocking density of the business.

9.3.25 The minimum and maximum stocking densities, and the enterprise mix, will be calculated on the basis of annual declarations of stock and hectareage.

Other Issues - Reclassification of land on transfer of land or holding

9.3.26 A methodology is required for assigning a Grazing Category classification to businesses that experience a significant change – for example, if a large proportion of the land is bought or sold. As mentioned in paragraph 9.13.14, individual farms will be allocated a Grazing Category, and individual fields within that farm will have the same category, and that category will remain with the field irrespective of whether it is sold or let at a later date.

General Eligibility Criteria

9.3.27 Farmers, crofters etc wishing to receive support under these arrangements will be expected to meet certain conditions in order to be considered eligible. These are:

- a. Producers must farm at least 3 hectares of eligible forage land in the Scottish Less-Favoured Area (LFA);
- b. Eligible land is that which lies within the Scottish LFAs and which meets the definition of forage area for the purpose of the IACS area aid application (as governed by Regulation 3887/1992);
- c. Payments will only be made to Producers who maintain:
 - A herd of suckler cows;
 - A flock of sheep which are eligible for support under Sheep Annual Premium Scheme
 - Dairy herds in the ring-fenced quota areas;
 - Farmed deer breeding herds;
 - Herds of cashmere goats, llamas or alpaca for fibre production.

Note: The last three groups above are considered eligible for support because of their contribution to improved employment in the LFAs, improved/maintained landscapes and environment and biodiversity gains.

- d. Producers that will be expected to maintain stocking densities that avoid both under- and over-grazing. The minimum stocking density of 0.12 Lu/Ha will trigger an assessment of under-grazing. Farmers stocking at a level greater than 1.4 Lu/Ha will be subject to inspection to ensure that over-grazing is not occurring.
- e. In accordance with Article 14(2) of Regulation 1257/1999 farmers must undertake to farm in the less favoured areas for 5 years from the first payment of a compensatory allowance, including those paid under Regulation 950/1997 and its predecessor.
- f. Producers must meet the requirements of Good Farming Practice set out in section 9.1 of this Plan (and shown in the annex to this section) in order to be eligible to receive payment. Any breach of these requirements will lead to a loss of entitlement to compensatory allowances.

g. Producers must adhere to the requirements of Article 14(3) of Regulation 1257/1999 on the non-use of prohibited substances.

h. Producers must allow SEERAD and EC institutions, their staff or representatives, access to land, animals, and records at any reasonable time for the purpose of establishing compliance with the terms of the scheme. Producers will also be required to co-operate with such inspections.

Estimated Expenditure, Sources of Funding and Financial Circuit – 2000 to 2006

9.3.28 The total estimated expenditure for the LFA support measures is outlined in the financial tables shown in Chapter 8 of the Plan above.

9.3.29 In order to be clear about how the various parts of the LFA support scheme will be financed, SEERAD confirms that, in conformity with Articles 14-15 of Regulation 1257/1999, co-finance funding is to be used for all elements of LFA support.

9.3.30 On the question of the financial circuit to be used, SEERAD will indent for the Guarantee contribution on a monthly basis, similar to the procedures that already apply to existing agri-environmental and farm woodland schemes.’

Future Strategic Direction

9.3.31 Any future amendments or refinements will of course need to meet with the requirements of Regulation 1257/1999 and will be put to the Commission for approval through the annual review process.

9.4: FORESTRY (PRIORITY 1, MEASURE 2)

9.4.1 Chapter VIII, Articles 29-32 of Council Regulation 1257/1999 allows for support to be provided to “contribute to the maintenance and development of the economic, ecological and social functions of forests in rural areas”.

9.4.2 Under this plan it is intended to make payments for the afforestation of agricultural land (Article 31) and non-agricultural land (Article 30) and for investments in forests (Article 30).

Afforestation of agricultural land

9.4.3 Under this Plan grants will be provided under **Article 31** - Afforestation of agricultural land (outside and inside Objective 1 areas) for:

- Planting and natural regeneration
- An annual premium per hectare to cover loss of income resulting from afforestation of agricultural land.
- Planting of short rotation coppice

Other forestry measures

9.4.4 Under this Plan grants will be provided under **Article 30** - Afforestation of non-agricultural land and Investments in forests (outside Objective 1 areas) - for the following:

- Planting and natural regeneration of trees on non-agricultural land;
- Investments in forests aimed at significantly improving their economic, ecological or social value.

The implementation mechanisms

9.4.5 The mechanisms through which this will be achieved are the Scottish Forestry Grant Scheme (SFGS), which will be administered by the FC – and the SFGS: Farmland Premium which will be administered by SEERAD.

Scottish Forestry Grant Scheme overall aims and objectives

9.4.6 The overall aims of the SFGS and SFGS:FP are:-

To encourage the creation, and management of woods and forests, to provide economic, environmental and social benefits for now and the future.

9.4.7 Through its direct link to the SFGS, the Farmland Premium is designed to encourage the creation of new woodlands on land which has been in agricultural use during the previous 3 years by offering ongoing income through annual payments to compensate for income forgone.

9.4.8 These benefits are consistent with Scottish Executive policy outlined in Chapter 6 above, including the Scottish Forestry Strategy and the Forward Strategy for Agriculture, as

well as Biodiversity Action Plans and the UK Forestry Standard. A key component of both the SFGS and SFGS:FP will be the delivery of wider public benefits in the form of environmental and landscape improvements, diverse habitat creation and increased public recreation and access.

AFFORESTATION OF AGRICULTURAL LAND

Scottish Forestry Grant Scheme

9.4.9 Support for woodland expansion through planting and natural regeneration of trees will be provided through the SFGS and the SFGS: Farmland Premium. The WGS previously operated under Council Regulation 2080/92, and State Aid approval (Aid No 81/92).

9.4.10 Within the Highland and Islands Objective 1 area, co-financing for actions under Article 30, as set out in the relevant Single Programming Documents, will be sought under the EAGGF guidance section.

9.4.11 The grants for which we are seeking co-financing are paid as a contribution towards the cost of the afforestation of agricultural land. We will be seeking co-financing for these grants up to the available allocation for forestry measures.

9.4.12 Grants for woodland expansion will normally be paid as standard rates of grant and be available for the following purposes:-

- i. to expand the area of well-designed productive forest;
- ii. to expand the area of native woodland, preferably through natural regeneration and the development of Forest Habitat Networks;
- iii. to improve riparian habitat;
- iv. to improve quality and setting of urban and post-industrial areas;
- v. to improve diversity of farmed/crofting landscape

9.4.13 Grants for afforestation will normally be paid as Standard Rate grants. These are based on a contribution of 60% or 90% of standard costs. The 90% is only applicable in situations where the benefits of afforestation are almost entirely public benefits.

9.4.14 The following additional mechanisms will also be used for afforestation:

- Targeted Grants. These will be special mechanisms to raise the level of afforestation priority areas in order to achieve particular public benefits. They are often in areas where the agricultural potential is high and a larger proportion of the establishment costs need to be offered to farmers to encourage them to plant trees. Targeted grants will vary from project to project but will not exceed 100% of the total cost of the work. Targeted grants will be administered either through Challenge Funds or Locational Premia.

- Challenge Funds as a competitive mechanism to achieve specific public benefits (see 9.4.25 below).
- Locational Premia to offer an additional flat rate per hectare in specific geographical areas and are not competitive (see 9.4.26 & 27 below).
- Negotiated Grants in relation to areas in excess of 300 hectares (see 9.4.28 below).

9.4.15 Standard costs will be reviewed on an objective basis by a group consisting of FC staff, SEERAD staff and the Institute of Chartered Foresters representatives, drawing upon Forestry Commission data as well as other information from the field.

9.4.16 The standard costs set out in the 2004 RDP modification aim at limiting the degree of participation of public funding in expenditure incurred by the ultimate beneficiaries. The amounts that can be subject of co-financing are set out in an annex to the SRDP. However, in any case, the standard costs cannot exceed the real costs that should be duly justified. As a matter of principle, it is the lowest amount between real cost and standard cost which should be retained for co-financing.

Rates of Grants

9.4.17 Afforestation (or expansion grants) can be paid through standard rate grants, targeted grants or negotiated grants. Higher rates of grants are paid for native species, broadleaves and certain conifers (Scots pine, Douglas fir, larch, Norway spruce and improved Sitka spruce) in view of the higher costs of nursery plants and higher costs of establishment. The aim is to encourage an increase of broadleaved woodland and greater species diversity.

i. Standard Rate Grants

9.4.18 Grants for ground preparation and protection are paid on completion of work. Establishment grants cover operations such as planting, weeding and fertilising with costs paid in two instalments. 70% is paid on completion of planting and 30% is paid five years later as long as the condition of trees are satisfactory and minimum stocking levels (as detailed in 9.4.24) are achieved. Where targeted grants are made, any enhancement is paid with the first instalment for planting and with the fixed payment for natural regeneration.

Natural Regeneration

9.4.19 New woodland established by natural regeneration may receive a discretionary payment of 60% or 90% of the cost of work agreed as necessary and essential to encourage the regeneration. A further fixed payment will be paid only when the trees are established, usually around years 5-7, at a point where the Forestry Commission is satisfied that the desired woodland will develop. The Forestry Commission builds a review date into all contracts (at year 4 and if necessary at year 9) which includes a follow-up inspection.

9.4.20 Normally, the combined discretionary and fixed payments are less than the standard rate grants available for planting new woodland. The Forestry Commission will approve payments in excess of the standard grant where it is satisfied that the work is necessary to achieve successful regeneration. However, the total payment the applicant receives will not

exceed the total cost of the work required. The type of work eligible for discretionary payment includes fencing and tree protection, deer control (where fencing is inappropriate), ground preparation, direct seeding, weeding and monitoring.

9.4.21 Co-finance for natural regeneration is only claimed when the fixed payment is paid ie when the Forestry Commission is satisfied the woodland is fully established. At this stage co-finance is claimed for both the fixed payment and for the discretionary payment.

Open Ground

9.4.22 The creation and maintenance of non-woodland open habitats to increase woodland biodiversity is desirable in all woodlands for both management and environmental reasons. Indeed, the Forestry Commission actively encourages applicants to create, safeguard and enhance important non-woodland habitats, especially those recognised in the UK Biodiversity Action Plan and include these within their SFGS applications.

9.4.23 In addition, open space is required to accommodate the management infrastructure within a woodland (ie roads, rides and glades to aid access and deer management) and to improve the visual design of woodlands. The Forestry Commission will decide how much open ground is appropriate and where it should be within the planting scheme. The Forestry Commission may allow such areas up to a limit of 20% of the whole area eligible for grant aid within the application.

9.4.24 The standard rate of grants for new planting and regeneration are:

Species	Minimum Stocking per hectare at year 5	Unit	Standard Cost	60% Rate £	90% Rate £
Scots pine	3,000	1000 trees	500	300	450
Douglas fir, larch	2,000	1000 trees	500	300	450
Norway spruce	2,500	1000 trees	500	300	450
Improved Sitka spruce	2,500	1000 trees	470	282	423
Other conifers	2,500	1000 trees	400	240	360
Broadleaves	3,100	1000 trees	600	360	486
Designed open space	-	hectare	750	N/A	N/A
Natural Regeneration	1,100	hectare	525	N/A	N/A

N/A = Not Applicable

ii Targeted Grants

9.4.25 Challenge Funds are a competitive mechanism to achieve specific public benefits in several locations in Scotland; for example the creation of woodland in a specific geographical area where woodland cover is very low or where additional environmental and conservation benefits would be achieved. Applicants are invited to submit bids stating the funds that they require to carry out the work. An approval panel, consisting of members from across the forest industry, judges which schemes offer the best value for money and most public benefit.

9.4.26 Locational premia will be available as a flat rate per hectare grant in priority areas in order to achieve particular public benefits and to support and encourage multiple objectives.

9.4.27 Locational Premia will be assessed to reflect the additional incentive deemed necessary to support planting in priority areas as supported by Indicative and Regional Forestry Strategies; or where the agricultural potential of land remains high. Such additional contributions would need to be justified to ensure that overall payments under SFGS did not exceed overall costs to the applicant and that sufficient public benefits accrued. . This could be the case, for example, where standard costs are well below the actual costs due to problems of remoteness, vandalism in peri-urban areas or where the agricultural potential of land remains high.

iii Negotiated Grants

9.4.28 Negotiated Grants: Where applications relate to the afforestation of areas in excess of 300 hectares, grants will be negotiated with the applicant, as a percentage of actual expected cost, up to a ceiling of the standard grant rate. This mechanism aims to consider the effect of economy of scale on large schemes.

9.4.29 WGS commitments entered into after 1 January 2000 under the RD Plan approved in autumn 2000 will continue to be met at previously approved grant rates.

SFGS: Farmland Premium

9.4.30 In accordance with Article 31 of Council Regulation 1257/1999 it is intended to continue to make payments under measure (h) “Afforestation of agricultural land: an annual premium per hectare to cover loss of income resulting from afforestation for a maximum period of 20 years for farmers or associations thereof who worked the land before its afforestation or for any other private law person”. In order to do this, we intend to continue to operate a premium payment scheme similar to the FWPS notified and approved in 2000. The replacement scheme will be called the SFGS: Farmland Premium.

9.4.31 The continued increase in the conversion of agricultural land to farm woodland under the FWPS reflects a growing awareness of the environmental benefits of the scheme and also of an alternative productive land use to agriculture. It is clear that farmers are not making their decisions to take land out of productive agricultural use solely for economic reasons: they are also considering the environmental and other benefits. Evaluation of the scheme in 2001 has shown that it has been generally effective in meeting the stated aims and objectives.

9.4.32 As was previously the case, SFGS:FP payments made by the Scottish Executive Environment and Rural Affairs Department to abate the loss of income from converting agricultural land to woodland, are in addition to the establishment grants available for planting on agricultural land under the SFGS. The standard rates of annual payment to compensate for agricultural income foregone are reviewed at least every 5 years, as required by the Farm Land and Rural Development Act 1988. The payment rates have been recently reviewed as part of the overall review of forestry support in Scotland. The payment rates proposed reflect the outcome of that review.

Duration of annual SFGS:FP payments and payment rates under this Plan

9.4.33 For SFGS:FP approvals under this plan, the duration of the annual payments will vary depending on the types of woodland that are planted. Payments will be made for 15 years for woodlands containing more than 50% broadleaves and 10 years for woodland comprising less than 50% broadleaves. The rates of payment will also differentiate between the main types of agricultural land to be converted to woodland, broadly reflecting differences in income forgone from the typical agricultural activity. Land that is more productive will attract the higher rates of payment. Details of payment rates and land categories are as set out below.

Type of Land	£/hectare/year
Non-LFA	300
LFA (disadvantaged areas of the LFA)	230
(severely disadvantaged areas of LFA)	160
Unimproved Land	60

9.4.34 The actual SFGS:FP payment rates to individual beneficiaries are made in £ Sterling and are the same irrespective of whether they are “farmers” or “any other private law persons”. However, in accordance with Article 31.4 of Council Regulation 1257/999 the maximum amount of annual premium eligible for Community support to cover loss of income from afforestation will be as laid down in the Annex to that Council Regulation. In seeking co-financing we will ensure that the relevant maximum ceilings are respected. That is, co-financing will not be sought for any element of an annual payment in excess of the following:-

- (a) for farmers or associations thereof - 725 Euro per hectare
- (b) for any other private law person - 185 Euro per hectare.

9.4.35 No payments to “farmers” are likely to exceed the maximum amount on which co-financing may be sought. However, in the case of “any other private law person”, except for payments in respect of unimproved land in Less Favoured Areas, all the other payment rates are likely to exceed the ceilings. As under the previous Programme, in the event of SFGS:FP payment rates exceeding those detailed in the Annex to the Council Regulation 1257/99, the excess will be paid as a State Aid (see below)

Eligibility conditions specific to SFGS:FP

9.4.36 The eligibility conditions for the SFGS:FP approvals under this Plan will be as for the FWPS 1997. Only the occupiers of the land to be planted are eligible for annual payments and, in the case of tenant farmers, the consent of the landlord must be obtained. Prior to approval, applicants must be carrying on an agricultural business on an agricultural unit

which includes the land to be planted. Furthermore, applicants are obliged to maintain all woodlands to a satisfactory standard, take all reasonable precautions against loss or damage and not return the land to any form of agricultural activity for 30 years in the case of mainly broadleaved woodland and 20 years for mainly conifer woodland. Failure to do so may result in the withholding, reduction or recovery of payments. This also applies to any applicant who makes or furnishes a false or misleading statement or information.

9.4.37 In order to ensure satisfactory environmental and silvicultural standards, SFGS:FP approvals are only made in respect of woodlands which are to be planted with the approval of the FC under the rules of the SFGS. To be eligible for the 15 year payment term for mainly broadleaf trees, beneficiaries must plant at least 60% broadleaf species. Thereafter, the broadleaf payment term will apply so long as the broadleaf proportion remains above 50% throughout the period of the agreement.

9.4.38 Eligibility under the SFGS:FP (both for existing commitments and from any new commitments arising from applications approved under this Plan) is limited to a 200 hectare maximum per eligible beneficiary with a minimum of 1 ha per application. Woodland expansion on unimproved agricultural land is limited to 80 hectares. Land specifically excluded from the SFGS:FP under this Plan will be the same as that excluded under FWPS 1997 (a detailed description of land excluded from the SFGS:FP is given in paragraph below).

9.4.39 Woodland on common grazings in crofting areas in Scotland is also eligible subject to the approval of the Crofters Commission and the consent of the landlord. Woodland expansion on common grazing land is limited to 200 hectares for each common grazing.

Short Rotation Coppice

9.4.40 Short rotation coppice (SRC) is a close planted tree crop on a cycle of 10 years or less and regenerated by coppice stools from the cut stool. Most SRC schemes are planted to develop a fuel supply for renewable energy projects. Although the uptake of the scheme has been low the Forestry Commission would like to be able to continue with this type of planting within the Scottish Rural Development Plan.

9.4.41 The grant is paid once the planting has been satisfactorily carried out. No other supplements are available for SRC, which is also not eligible for the SFGS:FP.

Rate of Grant	£/ha
Set-aside land	400
Non-set-aside land	600

Definition of “agricultural land”

9.4.42 Agriculture land means land used for horticulture, fruit growing, arable cropping, seed growing, dairy farming, livestock breeding and keeping, the use of the land as grazing land, meadowland, osier land, market gardens and nursery grounds or the use of land as woodland where that use is ancillary to the use of the land for other agricultural activities. Letting land to another person to carry out an agricultural activity, where the applicant retains some responsibility for the management of the land, for example letting land on a grazing licence

or short term tenancy for grazing is also considered an agricultural activity. Keeping of horses for recreational or sporting purposes and fish farming are not considered to be agricultural activities.

9.4.43 The land to be planted must have been in agricultural use for the three years prior to the application to join the SFGS/SFGS:FP. Agricultural use in this context means the above activities (other than woodland) and set-aside under the Arable Area Payments Scheme.

9.4.44 The following types of land are excluded from the SFGS:FP:

- a) non-agricultural land, including land used primarily to graze horses not used for agricultural purposes;
- b) land at a time when it is rented out by the applicant to another person for their exclusive occupation;
- c) land resumed from a tenant by means of a contestable notice to quit which was the subject of a counter-notice by the tenant, except where the Scottish Land Court has consented to the operation of the notice to quit on 'greater hardship' grounds; and incontestable notice to quit where the land was resumed for development purposes; or authorisation by the Scottish Land Court to resume a croft or part of a croft or common grazing;
- d) land which is to be converted to woodlands, where the trees, other than nurse trees, are intended as Christmas trees;
- e) Any land where the conversion to woodlands of that land would frustrate the purposes of any assistance previously given or to be given out of money provided by the UK Parliament or the European Community, or that the payment of grant under the SFGS:FP in respect of that land would duplicate any such assistance.

Definition of “farmer”

9.4.45 For the purposes of establishing the expenditure under the SFGS:FP which is eligible for co-financing under this Plan, a farmer in relation to Article 26.1 of Commission Regulation 1750/1999 is defined as a person who derives at least 25% of their income from farming taking account of all the land they farm in the UK.

9.4.46 We do not have data about the hours worked by individuals involved in agricultural activities, or most other activities involving the self-employed. Furthermore, the “essential part of working time” (referred to in Article 26.1 of the Commission Regulation) needed for agricultural activities differs from one individual to another and from one business to another.

9.4.47 Instead, certain of the rules which determine eligibility for the SFGS:FP provide us with indicators. For example :

- a) participation is dependent on the land concerned being checked against any other usage registered within IACS.;

- b) only the occupiers of the agricultural land to be planted are eligible to be considered for approval under the Scheme;
- c) prior to approval the applicant must be carrying on an agricultural business on the agricultural unit which includes the land to be planted;
- d) the land to be planted must have been in agricultural use for the three years prior to the application to join the scheme;

Aid Intensity

Scottish Forestry Grant Scheme

9.4.48 The amounts of aid for afforestation are set out above and expressed in £ sterling. These will be, generally, 60-80% of the total eligible cost. An additional contribution may be paid for some cases in recognition that the beneficiary will incur additional costs in carrying out the required work. For Challenge Funds the contribution to the cost of the work will vary from project to project. However grants will never exceed 100% of total eligible cost.

Scottish Forestry Grant Scheme: Farmland Premium

9.4.49 The grant rate for the SFGS:FP will be no more than 100% of income foregone by land type category for a period of up to 20 years. The rates are reviewed every five years and adjusted if necessary (see above).

European Community Contribution

9.4.50 European Community co-financing of the total public cost of the above activities will be at rates of 75% in the Objective 1 areas and at 50% in all other areas.

OTHER FORESTRY MEASURES (MEASURE I)

Afforestation of non-agricultural land

Planting and natural regeneration of trees

9.4.51 Support for this activity on non-agricultural land, will be provided under this measure using the SFGS. The scheme will be implemented in exactly the same way and with the same aid rates as described above for agricultural land.

Investments in forests

9.4.52 This is implemented by two schemes which fall under the general 'umbrella' of the SFGS.

Scottish Forestry Grant Scheme

Stewardship Grants

9.4.53 Stewardship grants will be paid towards the cost of work which will significantly improve economic, ecological or social value of woodlands. Where there is a high level of public benefit, and little private benefit, the grant will be paid at a rate that will contribute

90% of the standard cost of eligible work. Where there are also likely to be significant private benefits (for example where the economic value of the wood is being improved) the contribution will be 60% of the standard cost of eligible work. Standard costs will be reviewed on an objective basis by a group including FC staff, SEERAD staff and Institute of Chartered Foresters representatives, drawing upon Forestry Commission data as well as other information from the field.

9.4.54 Grants will be available for the following purposes:-

- to improve economic value of woods and forests by improving timber quality;
- to improve ecological and economic value of woods and forests by reducing deer numbers;
- to improve the ecological value of native woodlands;
- to improve ecological value of woods and forests including open ground through work related to Biodiversity Action Plans (HAPs, SAP, LBAPs) and designated sites or listed species;
- to improve the social, ecological and economic value of woods and forests by enhancing their landscape value and the value of their cultural heritage assets;
- to improve economic, ecological and social value by encouraging more use of alternative silvicultural systems to clear felling where this is practical and appropriate;
- to improve the social value of woods and forests by developing facilities for informal recreation in a which is commensurate with likely demand;
- to improve social value of woods and forests through community initiatives that help more people become involved in managing woodlands for local benefit.
- To support farm diversification, renewable energy and economic management of farm woodlands through local wood production and the use of wood energies
- to maintain and enhance biodiversity in woodlands and wood pasture by the use of planned and controlled low level grazing by domestic livestock. A pilot scheme will be introduced in 2006/06 prior to implementing the grant in 2006/07.
- to improve the economic value of farm woodlands by developing woodland products and adding value to timber and non-timber products. The rates of grant will be based on 60% of agreed costs to a maximum of £90,000 for a gross project cost of £150,000. A pilot scheme will be introduced in 2005/06 prior to implementing the grant in 2006/07.
- to improve the economic value of farm woodlands through local wood production and the use of wood energies. Grant rates will normally be based on 60% of agreed costs subject to a maximum of £90,000 for a gross project cost of £150,000. A pilot scheme will be introduced in 2006/06 prior to implementing the grant in 2006/07.

9.4.55 While these stewardship grants will normally be more applicable to existing woodlands, there will also be situations where they apply to areas of new woodland. This will arise, for example, where it is appropriate to create recreation facilities, where there is community involvement, or where it is necessary to reduce deer population levels.

9.4.56 Targeting may be appropriate for work in existing woodlands as well as woodland expansion, and for dealing with the special issues that arise in remote areas. Targeted grants for deer control offering higher rates are likely to be appropriate in high profile areas identified by the Deer Commission for Scotland (DCS), and where section 7 agreements are put in place.

9.4.57 Targeting may be appropriate for work in existing woodlands as well as woodland expansion, and for dealing with special issues that arise in remote areas and the margins of settlements. The plan also sets out the desired statement of the woodland at the end of the 5-year period and may detail annualised programmes of work with agreed costs and timescales where appropriate.

Pilot Stewardship Grants

9.4.58 A pilot Stewardship Grant will be introduced to maintain and enhance biodiversity in woodlands and wood pasture by the use of planned and controlled low-level grazing by domestic livestock. The pilot scheme will be introduced in 2005/06 prior to implementing the scheme in 2006/07.'

Eligible Operations

The eligible operations will be:

- Preparation of a management plan and associated ecological surveys and monitoring.
- Erection of wire or electric fencing to allow control of livestock.
- Installation of water troughs, feeders, catching pens, gates and other works necessary for the welfare and management of livestock in the woodland.
- Erection of deer fences in certain agreed situations to allow control of wild deer.
- Removal of non-native and invasive vegetation.
- Removal and disposal of redundant fencing and, where appropriate, marking of retained fences to prevent bird strikes.
- Works to protect specific features of natural or culture heritage importance.

Grant Rates

The rates of grant will normally be based on 60% of agreed costs. However, grants based on 90% of agreed costs will be paid for work benefitting woodland Sites of Special Scientific Interest, Natura sites, and woodlands subject to woodland Habitat Action Plans and woodland Species Action Plans. The upper limit to agreed costs will be £50 per hectare per annum.

9.4.59 A Pilot Stewardship Grant will be introduced to improve the economic value of farm woodlands by developing woodland products and adding value to timber and non-timber products. The rates of grant will be based on 60% of agreed costs to a maximum of £90,000 for a gross project cost of £150,000. The pilot scheme will be introduced in 2005/06 prior to implementing the scheme in 2006/07.'

Eligible Operations

Grants will be awarded to provide assistance to one of more of the following operations, in support for set-up costs (investment, consultancy and promotion, excluding support for running costs) for:

- Small-scale on (or near) site primary processing, drying and grading of hardwood plank timber.
- Small-scale on (or near) site primary processing of softwood timber.
- On (or near) site primary processing and preservative treatment of timber products for on-farm use, such as fencing and external cladding.
- Improving the promotion and marketing of forestry products and associated by-products.
- Establishing associations of woodland holders or wood-workers set up to help members to improve the local economic value of woodland products and strengthen the forest products supply chain.
- Sustainable management and harvesting of non-timber forest products.
- Improvement of tracks and provision of stacking areas to facilitate the access to and extraction of timber.
- Purchase of necessary equipment, including refurbishment of old buildings and premises, de-humidifier kilns, mobile saw benches, specialist saws for hardwood felling, computer software and directly related costs such as architects', engineers' and consultants' fees (to a maximum allowance of 12% of total eligible costs) in fulfilment of one or more of the objectives stated in indents 3 and 4 of Article 30(1) of Regulation 1257/1999.
- Promotion of new outlets for the use and marketing of forestry products, such as through events and leaflets (this excludes investment at the retail level in accordance with Article 28 of Council Regulation No 1257/1999).

Grant Rates

The maximum rate of grant will be 40% of total eligible project cost. Aid for establishing associations of woodland holders or wood-workers will be for a maximum of five years, with a maximum rate of grant of 40% for the first three years, reducing to 20% in the fourth and fifth year. The maximum level of support per application shall be £70,000 (100,000 euros) for gross project costs of £175,000 (250,000 euros).

Community Contribution

9.4.60 The Community contribution will be 50% of public cost. For any revenue bearing investments the terms of Article 47(2) of Council Regulation 1257/1999 which refers to the rates in Article 29(4b) of Council Regulation 1260/1999 will be respected

Eligibility Conditions for Measures (H) and (I)

9.4.61 Only the owners or occupiers of the land to be planted or the woodland to be managed are eligible to apply for SFGS grants. In the case of tenants, the consent of the landlord must be obtained. If the Forestry Commission is not satisfied that work done complies with the SFGS contract, and has given an applicant the opportunity to take corrective action, it can refuse to pay grant, or – if grant payment has already been made – reclaim with interest any payments already made.

Beneficiaries

9.4.62 The financial beneficiaries are the owners or occupiers (be they “farmers or associations thereof” or “of any other private law person”) but agents, forestry contractors, tree nurseries and rural communities in general also benefit from the work generated through these activities. The provision of public benefits is an important component of the schemes and so in a wider sense, the general population and visitors benefit from the social, economic and environmental contribution of trees, woods and forests in Scotland. A Pilot Stewardship Grant will be introduced to improve the economic value of farm woodlands to support farm diversification, renewable energy and economic management of farm woodlands through local wood production and the use of wood energies. Grant rates will normally be based on 60% of agreed costs subject to a maximum of £90k for a gross project cost of £150k. The pilot scheme will be introduced in 2005/06 prior to implementing the scheme in 2006/07.

Ongoing Contracts from the Previous Period

9.4.61 Agreements offered before 31 December 1999 will operate under the WGS (92), approved under Council Regulation 2080/92. Estimated expenditure against these ongoing contracts, and the Community contribution sought relating to this expenditure is set out in the financial tables.

9.4.64 Existing approvals made by 31 December 1999 will continue to operate under the

- Farm Woodland Scheme (FWS)⁹ approved by the Commission in 1988 (*Aid No. 239/88*); and

⁹ The FWS was closed to new applicants in 1992 but ongoing annual payments arising from the previous Programme are made for the duration of the beneficiaries' commitment under that Scheme.

- Farm Woodland Premium Scheme 1992 (FWPS 1992)¹⁰ and Farm Woodland Premium Scheme 1997 (FWPS 1997)¹¹ approved by the Commission under Council Regulation 2080/92 in accordance with the UK's programme of measures for the implementation of that Regulation (reference *SG (92) D/4984, State Aid No 81/92 and State Aid No. 24/97*).

9.4.65 Estimated financial commitment arising from the ongoing annual payments by year in respect of approvals made by 31 December 1999 is set out in the financial tables.

Duration of annual payments for Schemes with ongoing commitments from the previous period

9.4.66 The duration of the annual payments varies depending on the types of woodland that were planted. The basic payment period under the FWS is 20 years. However to encourage the planting of more broadleaved trees, and to reflect the longer period before such trees can generally be expected to generate any income, payments are made for 30 years for woodland containing more than 50% broadleaves and for 40 years for planting oak or beech which take even longer to mature. The FWS closed to new applicants in 1992 with some 395 beneficiaries covering an area of some 3,365 hectares.

9.4.67 Under the FWPS 1992 and 1997 payments are made for 15 years for woodlands containing more than 50% broadleaves and 10 years for planting 50% or less broadleaves. From 1 April 1992 (when the FWPS was opened to new applicants) to end December 1999, we have approved some 2,625 applications for grant aid in respect of agricultural income foregone in respect of some 42,030 hectares of woodland on agricultural land. Applications approved by land type have comprised 14% arable, 33% improved grassland and 53% unimproved land. The broadleaved area comprised 59%.

Provisions ensuring that such actions are adapted to local conditions and are compatible with the environment as well as where appropriate keeping balance between silviculture and game populations

9.4.68 Environmental, cultural and silvicultural safeguards as well as wild deer management requirements are provided under the SFGS arrangements. The most recent evaluation, undertaken in late 2001, confirmed that the scheme has delivered a substantial area of new planting on farmland and remains a source of finance for woodland expansion. The WGS and FWPS objectives to create new woodland and provide new habitats have been fulfilled.

Linkage between Proposed Actions and National Forest Programmes and International Commitments on Sustainable Forest Management (Article 29 (4))

Fulfilment of International Obligations

9.4.69 At the 1992 United Nations' Conference on Environment and Development in Rio de Janeiro (the 'Earth Summit'), world leaders expressed their commitment to sustainable development. The UK Government was a signatory to Agenda 21, a plan for attaining sustainable development in the 21st century and, with 170 other countries, adopted a

10 The FWPS 1992 was closed to new applicants in 1997 but ongoing annual payments arising from the previous programme are made for the duration of the beneficiaries' commitment under that Scheme.

11 The FWPS 1997 includes ongoing annual payments arising from the previous Programme made for the duration of the beneficiaries' commitment under that Scheme.

Statement of Forest Principles. This was the first global consensus on the management of the world's forests.

9.4.70 At the Helsinki conference in June 1993, European governments built on the Rio Forest Principles by adopting a set of guidelines for the sustainable management of European forests and for the conservation of their biodiversity.

9.4.71 Following agreement on the Helsinki Guidelines, European countries proposed a set of 'Pan-European Criteria' (PEC) in 1994 to be applied to forests throughout Europe.

9.4.72 The United Kingdom responded to these agreements by publishing four separate, but linked, plans: -

- *Sustainable Development – the UK Strategy;*
- *Biodiversity – the UK Action Plan;*
- *Climate Change – the UK Programme; and*
- *Sustainable Forestry – the UK Programme.*

9.4.73 In 1995 the UK Government decided to prepare a UK Forestry Standard which would bring together in one document the criteria and standards for sustainable management of forests in the UK. The UK Forestry Standard, published in 1998, is compatible with the Helsinki Guidelines and the Pan-European Criteria and explains how international commitments will be delivered in UK.

9.4.74 The UK Forestry Standard sets out practical forest management information. All applications for support under this plan will be assessed against the UK Forestry Standard.

National Forest Programmes

9.4.75 The concept of national forest programmes was developed through dialogue in the Intergovernmental Panel on Forests. They now form an important tool of global forestry policy and a means of ensuring that forestry issues are integrated into a country's overall sustainable development and land use strategies.

9.4.76 In the UK, the national forest programme is not contained in one single document, but is the sum of a number of key documents, e.g. the UK Forestry Standard [http://www.forestry.gov.uk/website/PDF.nsf/pdf/fcfc001.pdf/\\$FILE/fcfc001.pdf](http://www.forestry.gov.uk/website/PDF.nsf/pdf/fcfc001.pdf/$FILE/fcfc001.pdf)

and the Scottish Forestry Strategy

[http://www.forestry.gov.uk/website/pdf.nsf/pdf/intro.pdf/\\$FILE/intro.pdf](http://www.forestry.gov.uk/website/pdf.nsf/pdf/intro.pdf/$FILE/intro.pdf)

We are in the process of preparing a UK Sustainable Forestry Programme which will set out clearly the UK's policy for sustainable forest management, building on the previously published 'Sustainable Forestry – the UK Programme' (1994).

9.4.77 This will fulfil our international commitment to have a national forest programme and will help us to develop a more integrated approach and improve co-ordination of the mechanisms and processes that deliver the UK's programme.

Forest Standards

9.4.78 The UK Forestry Standard sets out the forest management practices for use at the national and individual forest level. The UK Forestry Standard contains ‘Standard Notes’ which describe the practices appropriate to a variety of operations and management systems. Supporting guidelines on nature conservation, landscape design, archaeology, soil and water provide more detailed advice.

9.4.79 The “Standard Note” on General Forestry Practice details the need for:

- i. Planning and preparation for forest operations. Operators are advised to:
 - Make sure that site planning and the conduct of operations take due account of possible on-site and external impacts, for example ancient monuments, access routes, downstream areas, wildlife and people.
 - Check and comply with any requirement by a Government body or statutory undertaker for notification or consultation and decide whether neighbours need to be notified.
 - Make sure that staff and contractors clearly understand safety precautions, plans for the protection of the environment and emergency procedures.
- ii. Cultivation and drainage
 - Where ground cultivation or drainage is necessary the specification, layout and working method must be designed to avoid causing erosion and consequent impact on water quality, aquatic ecosystems and other wildlife habitats.
 - Drain gradients should be designed to avoid erosion during storms, with silt traps at locally steep sections to break up unavoidably long runs in soils susceptible to erosion.
 - Design spill or filtration areas between drain ends and watercourses.
 - Avoid, wherever possible, the discharge of forest drainage systems into roadside drains.
- iii. Planting and Natural Regeneration
 - Promote the potential quality and value of timber by adopting initial tree spacing to induce straight stems and the early suppression of heavy side branching. The Forestry Commission specify a minimum stocking of 2,250 evenly distributed trees per hectare. Exceptions are made for small amenity planting and semi-natural woodland.

- Diversify the landscape and habitat of conifer woodland by careful design of open ground and strategically sited broadleaved species, favouring the use of native trees and shrubs where suitable for other management objectives.
- Plant at least 5% of the area of any new conifer woodland with broadleaved trees and shrubs.

iv. Protection

- Use fertilisers, pesticides and herbicides according to the specific needs of the site.
- Protect and maintain planting and natural regeneration until establishment is achieved at the planned stocking and spacing.
- Ensure that ride, road edge and open space management regimes promote or are sympathetic to, wildlife conservation especially where they support rare or endangered species.
- Co-operate with neighbours in the control of grey squirrels, deer, rabbits and feral goats.
- Keep important archaeological sites clear of natural regeneration of trees and shrubs.

The “Standard Note” on Creating New Woodland explains the importance of:

i. Ensuring that the location of planting is suitable

- It is important to take account of the setting when planting a new wood as planting of some habitats is not permitted due to national and European designations
- Use of new woods to link existing woods can be beneficial both to wildlife and to the efficiency of woodland management.
- It is essential to assess the likely damage impacts from deer, rabbits (and later from grey squirrels) at the outset and to plan accordingly.

ii. General forest design

- Fit forest margins to the land form and tie them in with existing features such as streams and hedges.
- Position rides, roads and other features which create breaks in the tree cover so as to relate to the land form and allow space for the development of edge habitats.
- Allow for 10-20% of open space within the area. Open space, including streams, ponds and well laid out roads and rides should encourage the

development of wildlife habitat. More open space may be needed in some circumstance, for example, when designing high levels of recreation.

- Create open space in areas not naturally broken up by topographic features. This should be designed to develop permanent internal edges, structural diversity and greater flexibility in future management. These spaces should harmonise with the land form and site variation.

iii. Tree species selection

- Select tree species from those which are suited to site conditions and objectives.
- Mixtures must be of species which are compatible under the proposed silvicultural system and sufficiently robust to withstand unforeseen changes, particularly delayed thinning, without failing to meet main objectives.
- If timber production is one of the objectives, select mainly species capable of producing good quality timber on the site.
- Consider investing in genetically improved stock to achieve increased yield and timber quality.
- New conifer woodlands should include broadleaved and shrub species.
- Where native species are used suitable local provenances should be used, if they are available.

Environmental Standards

9.4.80 Environmental safeguards are an essential component of the SFGS and SFGS:FP and are enforced through contract approval and monitoring procedures. On receipt, all applications are assessed to ensure that they meet the environmental standards set out in the “UK Forestry Standard” and the associated guidelines on nature conservation, landscape design, archaeology, soil and water.

9.4.81 In addition, proposals for new planting which are likely to have a significant effect on the environment are also subject to Environment Impact Assessment under the Environmental Impact Assessment (Forestry)(Scotland) Regulations 1999 (Council Directive 85/337/EEC as amended by Council Directive 97/11/EC). These Regulations include thresholds above which a determination of the need for an Environment Impact Assessment is necessary for all afforestation projects. The information below shows the thresholds:-

Operation	Threshold where any part of the land is in a <i>sensitive area</i>	Threshold where no part of the land is in a <i>sensitive area</i>
Forest quarries	No threshold	1 hectare
Forest road works	No threshold	1 hectare
Afforestation	2 hectares where the land is in a National Park or National Scenic Areas. No threshold in other sensitive areas.	5 hectares.

9.4.82 A *sensitive area* includes Sites of Special Interest (SSSI), National Parks, World Heritage Sites, Scheduled Ancient Monuments, National Scenic Areas, sites designed or identified as a candidate for Special Areas of Conservation, and sites classified or proposed as a Special Protection Area (paragraphs 5.92 – 5.100 of the Plan specifically refer to these sites).

Public consultation

9.4.83 Once the Forestry Commission is satisfied that the application meets these standards and complies with the SFGS rules and regulations, it undertakes public consultation by including details of the proposal on a public register. The register can be viewed on the FC Internet site, is available for inspection at Forestry Commission Offices and is also faxed and e-mailed weekly to local authorities and other statutory consultees for public display. In addition, Local authorities and other statutory consultees' ie Scottish Natural Heritage, Scottish Environment Protection Agency and Scottish Executive Environment and Rural Affairs Department are formally consulted over large or sensitive schemes. Such statutory consultees' can either suggest ways in which the proposed scheme can be improved upon or can formally object to proposals.

9.4.84 If it is not possible to resolve a statutory consultees' objection the matter is referred to an independently appointed Regional Advisory Committee, then to Forestry Commissioners and, if necessary, to the Government Forestry Minister. (This is extremely rare; in nearly all cases a satisfactory way forward is identified, or the application is withdrawn.)

9.4.85 Any forestry activity within, or likely to affect, Natura 2000 sites must be undertaken in ways which do not damage their value for the designated habitat or species. The Conservation (Natural Habitats & Co) Regulations 1994 implement the Habitats Directive and require a proper assessment of the implications of proposals for any Natura 2000 site. Consultation with the statutory conservation organisation (Scottish Natural Heritage) is compulsory.

Linkage between proposed actions and national programmes

9.4.86 All SFGS applications for grant support under this Plan will be required to meet the standards as described within the UK Forestry Standard.

9.4.87 In order to ensure satisfactory environmental and silvicultural standards, SFGS:FP payments are only made on woodlands which are planted with the approval of the FC under the rules of the SFGS. This link to the SFGS will ensure that satisfactory environmental and silvicultural standards are maintained. Monitoring of uptake under SFGS:FP will continue.

Performance indicators

9.4.88 The following performance indicators will be used to measure planting progress:-

- area planted and regenerated; detailed by conifer/broadleaved and native woodland type;

- percentage expenditure dispersed through targeted grants;
- percentage expenditure dispersed following tendering or negotiation.

Other performance indicators will be developed as part of the Scottish Forestry Strategy.

Farm Woodland Planning

9.4.89 A Woodland Plan will provide a means of integrating woodland planning with planning for the farm business as a whole. It will set a framework for increasing the amount of woodland on farms brought under active sustainable management. The production of a Plan will require an assessment of the condition of existing woodland on a farm holding according to the standard for Sustainable Farm Woodland Management (developed by Forestry Commission Scotland). It will also identify the requirements for managing the woodland to the standard and opportunities for expansion of woodland cover within the farmed landscape. In certain situations this may increase the ability of the soil to buffer the flow of nutrients or pollutants into watercourses. The standard for SFWM will itself be closely aligned with the requirements of independent certification under the UK Woodland Assurance Scheme.

Other information

9.4.90 Payment will be on the basis of the area of woodland included within the plan up to a limit of 30 hectares per holding, but with no upper limit for native woodland and IACS registered forage open woodland. The minimum area of woodland that will qualify for payment will be 1 hectares, which can consist of aggregated smaller areas of no less than 0.1 hectares. The rate of payment will be £10/ha with a minimum payment of £150 if all woodland is entered into the Farm Woodland Management option. This is based on paying 70% of standard costs which have been calculated at £14.50/ha for plan preparation (survey £7/ha, planning £3.50/ha, monitoring £4/ha).

Farm Woodland Management

9.4.91 Support will be provided for bringing existing farm woodland under active management in accordance with the Woodland Plan and the standard for Sustainable Farm Woodland Management (SFWM). The SFWM will itself be closely aligned with the requirements of independent certification under the UK Woodland Assurance Scheme.

Other information

9.4.92 Farm woods in receipt of payment under a Scottish Forestry Grant Scheme (SFGS) or Woodland Grant Scheme (WGS) contract will be ineligible for entry into this measure if that contract is still active eg new woodlands planted under WGS/SFGS will be ineligible until completion of the WGS/SFGS Contract (normally 10 years).

9.4.93 Only the occupiers of the land to be planted are eligible for annual payments and, in the case of tenant farmers, the consent of the landlord must be obtained. Applicants must be carrying on an agricultural business on an agricultural unit which includes the land to be

planted. The definition of agricultural land and farmer will be as set out in Chapter 9.4.42-47 of the SRDP.

9.4.94 The rate of payment will be £30/ha and the commitment will cover a 5 year period. This is based on paying 75% of the standard cost of £120 per person-day for an average 3 hectare farm woodland. Eligibility will be limited to 30 hectares although this may be extended for native woodland and IACS registered forage open woodland. The minimum area of woodland that will qualify for payment will be 1 hectares. This can comprise aggregated smaller areas no less than 0.1 hectares.

Revised Forestry Standard Costs

Activity	Activity Type No	Operation	Specification	Units	Current Standard	Revised Standard Cost
					Cost	
Vegetation Management	1	Respace natural regeneration	Respace greater than 4,000 stems/ha (up to 10cm diameter >2m tall)	ha	300	500
	2	Cleaning	Removal of unwanted broadleaves and conifers (less than 5,000 to 2,500 stems/ha)	ha	170	170
	3	Bracken whipping	limited control, only on sensitive sites	ha	80	150
	4	Chemical weed control	Spot spray - 1 m around tree	per tree	0.05	0.05
	5	Chemical weed control	Aerial-Asulox per Application	ha	160	160
	6	Chemical weed control	Asulox by hand	ha	260	260

	7	Rhododendron control	<3.5 ms tall, cut using flail - (see Technical Note 2/96)	ha	550	830
	8	Rhododendron control	3.5+ ms tall, cut using flail- (see Technical Note 2/96)	ha	1300	1,800.00
	9	Rhododendron control	<2.5m tall, manually cut, rake & burn using excavator or >3.5m tall, uproot and burn using excavator (see Technical Note 2/96)	ha	1900	2,200.00
	10	Rhododendron control	2.5 - 3.5 m tall, manually cut, rake & burn using excavator (see Technical Note 2/96)	ha	2800	3,400.00
	11	Rhododendron control	<3.5 m tall, manually cut and burn (see Technical Note 2/96)	ha	3100	4,200.00
	12	Rhododendron control	>3.5m tall, manually cut and burn (see Technical Note 2/96)	ha	4100	5,500.00
	13	Rhododendron control	Chemical Control of standing Rhododendron	ha		500
+	14	Clearance of Invasive vegetation	Mechanical cutting and chemical stump treatment of vegetation up to ~2m tall	ha	280	280

	15	Ride management	ride mowing including open ground for conservation reasons	ha	100	200
	16	Dead wood management	Maintenance & creation of deadwood	ha	40	40
	17	Blocking drains	small (<2 x 1 m)	per dam	20	40
	18	Blocking drains	large (>2 x 1 m)	per dam	70	80
	19	Grass cutting in recreational areas	Strimming of paths to ensure between 1m & 3m width of mown grass in recreational areas. Yearly payment based upon average of 3 cuts per season.	m	0.15	0.45
Pruning	20	Early pruning	broadleaves and conifers of 5 to 10 years old (up to 1000 stems/ha)	ha	80	250
	21	High pruning	high pruning broadleaves and conifers to achieve a minimum of 4 and up to 10 m clear stem at the time of the first pruning operation. (final crop trees only , 200-300/ha)	ha	250	400

Tree Removal	22	Precommercial and non-commercial thinning; may include chemical thinning	Conifers and broadleaves	ha	50	150
	23	Felling conifer to waste	Pre-thicket (< 3 ms high)	ha	350	450
	24	Felling conifer to waste	Thicket (3-6ms high)	ha	600	750
	25	Felling conifer & clearing site	Pre-thicket (< 3 ms high), extract chip or burn	ha	700	1000
	26	Felling conifer & clearing site	Thicket stage (3-6ms high), extract chip or burn	ha	1200	1500
	27	Small scale thinning	Net cost of small scale thinning of conifers and broadleaves	ha	100	200
	28	Felling and Extraction – conifer	Net cost of small scale felling and extraction of conifers up to 0.25ha and not more than 25% of eligible woodland area.	ha	500	600
	29	Felling and Extraction - broadleaves	Net cost of small scale felling and extraction of broadleaves up to 0.25ha and not more than 25% of eligible woodland area.	ha	1000	1200
	30	Chipping/ mulching of brash	Clearing brash debris as a result of harvesting operations or small scale thinning operations	ha		500
	31	Coppicing	Cutting of 1100 stools/ha in 20-30 year old crop	ha	800	800

Deer Control	32	Reduce deer numbers	All operations must comply with DCS Best Practice Guidance. A minimum payment of £300.	ha	4	6
Management Planning and Monitoring Surveys	33	Native Woodland / Biodiversity Management Plan	Detailed 5 year plan. (FC Scotland Guidance Note 12 should be followed for S3). A minimum payment of £300.	ha	3.5	3.5
	34	Archaeological Survey	To identify the nature and extent of historic environment interests within the proposed area enabling an appropriate design to be prepared. A minimum payment of £300	ha		7
	35	Woodland Condition Survey	Woodland Condition Survey Level 2 (FC Scotland Guidance Note 7). A minimum payment of £300	ha	7	7
	36	Native Woodland / Biodiversity Monitoring	Biodiversity monitoring eg vegetation monitoring/fixed plot photography/species change assessments. A minimum payment of £300	ha	4	4
	37	Landscape Design plan	Includes landscape appraisal. Detailed 10 year plan (FC Scotland Guidance Note 6) - A minimum payment of £300	ha	3.5	3.5

	38	Landscape Survey	Essential baseline surveys A minimum payment of £300.	ha	7	7
	39	Landscape Monitoring	Essential monitoring. A minimum payment of £300.	ha	2.5	2.5
	40	CCF Survey	Site survey and stand appraisal. (FC Information Note 40) A minimum payment of £300.	ha	7	7
	41	CCF management plan	Detailed 10 year plan. (FC Information Note 40) A minimum payment of £300	ha	3.5	3.5
	42	CCF monitoring	Essential monitoring. A minimum payment of £300.	ha	2.5	2.5
	43	CCF Stand appraisal	stand appraisal only (where Forest Plan already exists). (FC Information Note 40) A minimum payment of £300.	ha	3.5	3.5
	44	Recreational Management Plan	Detailed 5 year recreational plan. A minimum payment of £300.	ha	3.5	3.5

Mammal control	45	Rabbit Control	Inserting box traps includes labour (or up to equivalent costs for gassing)	each	90	90
	46	Squirrel single catch-trap	includes bait and cover material	each	27	27
	47	Grey squirrel control for red squirrel conservation using single catch-trap	labour costs including siting, prebaiting, setting, checking, despatch, recoding, monitoring and parapox testing. Based upon average of 12 visits per catch trap per year.	Per catch trap per year	30.00 per catch trap per catch session	360
	48	Predator control	To control predators where required under management of woodland SAP. The grant will be paid on a percentage of actual costs/ha which must be agreed with FC and RSPB up to a maximum of £7.50/ha	ha		7.50
Protection	49	Conversion of deer to stock	Dismantling to stock. Removal and disposal from site to landfill site	m	1.7	1.7
	50	Stock fence removal	Complete dismantling. Removal and disposal from site to landfill site	m	1.7	1.7
	51	Deer fence removal	Complete dismantling. Removal and disposal from site to landfill site	m	2.2	2.2
	52	Stock Fencing	New FC Bulletin – Forest Fencing	m	3.30 / 3.80	4.2
	53	Stock Fencing with deer strainers	New FC Bulletin – Forest Fencing	m	3.50/4.00	4.4
	54	Rabbit proofing existing stock or deer fence	New FC Bulletin – Forest Fencing	m	1.9	2.15

	55	Stock & Rabbit Fencing	New FC Bulletin – Forest Fencing	m	3.8	5.5
	56	Deer Fencing - light specification	New FC Bulletin – Forest Fencing	m	5.75	6.35
	57	Deer Fencing - heavy specification	New FC Bulletin – Forest Fencing	m	6.5	7.15
	58	Upgrading stock to deer fence	To meet appropriate specification	m	2.5	2.75
	59	Fence Upgrade	Upgrading of an existing fence to specification	m	0.5	0.55
	60	New deer fence (Black grouse & Capercaillie core areas)	full height 1.8m chestnut paling/sawn softwood droppers (see FC/RSPB Guidance Note)	m	10.00/9.10	11
	61	New deer fence (Capercaillie/Black Grouse core areas)	half length woven chestnut paling /sawn softwood droppers (see FC/RSPB Guidance Note)	m	9	10
	62	Marking deer fenceline	UV stable orange barrier netting (see FC/RSPB Guidance Note)	m	2	2

	63	Modifying existing deer fence (Capercaillie / Black Grouse core areas)	half length woven chestnut paling/sawn softwood droppers @ 30cm centres(see FC/RSPB Guidance Note)	m	3	3.3
	64	Modifying existing deer fence (Capercaillie / Black Grouse core areas)	half length woven chestnut paling/sawn softwood droppers @ 15 cm centres(see FC/RSPB Guidance Note)	m	5.00/4.40	5.5
	65	Modifying existing deer fence (Capercaillie/ Black Grouse core areas)	full length chestnut paling/sawn softwood droppers (see FC/RSPB Guidance Note)	m	6	6.6
	66	Compensation for loss of grazing income	Excluding stock to encourage regeneration of woodland	ha	100	100
	67	Dyke Upgrade	Upgrading of an existing dyke	m	10	10
	68	Hanging Watergate	> 6m span Refer to best practice in current FC fencing booklet	m	50	75
	69	Hanging Watergate	3-6m span Refer to best practice in current FC fencing booklet	m	30	30

	70	Badger Gate	Refer to best practice in current FC fencing booklet	each	110	110
	71	Tree shelters	1.2m shelter / shrub shelters + treated softwood stake	per shelter	1.60/1.70	1.6
	72	Tree shelters	0.6m tube + treated softwood stake	per shelter	0.90/1.10	1
	73	Tree shelters	Removal of tree shelters from site and disposed off in appropriate landfill site	per shelter		0.40
	74	Spiral guards	0.6m spiral guard + cane	per guard	0.50/0.60	0.6
	75	Vole guards	includes guards and labour for attachment	per guard	0.2	0.24
Ground Preparation	76	Chemical screefing	spot spray (1 m diameter around tree)	k trees	48	60
	77	Ploughing	mouldboard ploughing.	ha	85	106
	78	Linear Scarification	Disc trencher such as tractor mounted TTS Delta	ha	60	75
	79	Patch Scarification	Doneran type scarifier	k mounds	40	50
	80	Continuous Mounding	Continuous (McClarty type)	ha	100	125
	81	Hinge Mounding	Excavator - hinge mounds	k mounds	52 (New planting) 80.00 (Restocking)	120 (New planting) 130 (Restocking)
	82	Mounding from spoil drains	Excavator - spoil drains and mounds	k mounds	100 (New planting) 144	120 (New planting) 150

					(Restocking)	(Restocking)
	83	Hand preparation	hand mounds and screefs	k mounds	180	260
	84	Brash raking	brash raking with excavator	ha	120	120
	85	Drainage	creating new drains or clearing existing drains	ha	0.50/0.30	0.9
	86	Bracken Control	Extensive areas of bracken –Aerial or mechanised Application	ha	160	180
	87	Bracken Control	Extensive areas of bracken – hand application	ha	260	300
Establishment	88	Scots pine, Douglas fir, larch, Norway spruce	includes planting,beating-up, weeding, fertilising and supervision until established	k trees	500	500
	89	Improved Sitka spruce	includes planting,beating-up, weeding, fertilising,and supervision until established	k trees	470	470
	90	Other conifers	includes planting,beating-up, weeding, fertilising,and supervision until established	k trees	400	400
	91	Native broadleaves	includes planting,beating-up, weeding fertilising,and supervision until established	k trees		700
	92	Broadleaves	includes planting,beating-up, weeding, fertilising and supervision until established	k trees	540	600

	93	SPC	includes planting, beating-up, weeding, fertilising and supervision until established	k trees	540	600
	94	Designed open ground	Up to 20% of grant-aided area	ha	750	750
	95	Native Woodland Regeneration	achieving at least 1,100 stems per ha and over 50cms tall	ha	525	525
	96	Other Regeneration	achieving at least 1,100 stems per ha and over 50cms tall	ha	325	325
	97	Designed Open Ground (Regeneration)	Up to 20% of grant-aided area	ha	750	750
	98	Short Rotation Coppice		ha	600	600
	99	Short Rotation Coppice	On land set-aside as part of the Arable Area Payments	ha	400	400
Recreation / Access	100	Footpath construction	dry site, cut and fill, 1.2m wide including shallow drain. Includes any burn crossings up to 1 m.	m	3.3	4

	101	Footpath construction	light use or dry site, a light scrape, 1.2m wide with 20cm depth of type 1 metal and top layer of whindust, vibrator rolled. Includes burn crossings of up to 1 m.	m	10	11
	102	Footpath construction	heavy use or wet or steep site, 1.6m wide, 30cm depth type 1 material and top layer of whindust, vibrator rolled. Includes burn crossings of up to 1 m.	m	18	18
	103	Footpath construction	Short sections requiring manual construction, gabion barriers.	m	25	25
	104	Footpath upgrading	Upgrading of existing path network	m	1	1
	105	Kissing gate	constructed and installed to conform with relevant British Standards	each	260	260
		for walkers				

	106	Larger Kissing gate constructed to allow for disabled use and/or horses	constructed and installed to conform with relevant British Standards	each	400	400
	107	Stiles - supply and installation	Treated timber stile - two step cross-over with handhold for stock fence.	each	55	55
	108	Stiles - supply and installation	Treated timber ladder stile suitable for deer fence	each	120	120
	109	Wooden railed fencing	For short sections of fencework appropriate for public access	m		10
	110	Leaflets	A4 - single colour, including design and printing	per 500	240	240
	111	Leaflets	A3 - single colour, including design and printing	per 500	600	600
	112	Waymarkers	3" x 3" square sawn, treated + routed	each	20	20
	113	Threshold sign	Threshold Headboard	each	300.00/ 300.00/ 160	300
	114	Primary sign	Primary Headboard or locally designed information sign: e.g. fingerpost	each	85.00/ 78.00/ 72	85
	115	Interpretation boards	A3 interpretative sign, laminated printed sheet on 12mm board with clear lexan. Mounted on treated 3"x3" post	each	150	150

	116	Intrepretation boards	A1 interpretative sign, laminated printed sheet on 18mm board with clear lexan. Mounted on treated 4"x4"posts	each	600	600
	117	Intrepretation boards	750mmx1000mm interpretative sign on 18mm foamex with clear lexan. Includes design and production. Mounted within treated lectern legs of 45mmx300x1725mm	each	1200	1200
	118	Picnic bench with table	Treated Timber Table - 1830 mm long, 900 mm wide and 825mms high and bench 1830mm long (Type 1 FC Speymouth Signs Workshop)	each	250	250

	119	Picnic bench with back rest	Treated timber - 1820mm long, 360mm wide, overall height 850mm, width of seat 300mm, height of seat 430mm (Type 3 FC Speymouth Signs Workshop)	each	130	130
	120	Picnic bench without back rest	Treated timber 45mm thickness, 1750mm long, width of seat 300mm,height 450mm	each	70	70
	121	Footbridge	Treated timber frame with wooden beams. Crossings over 1 m wide.	m	50	125
	122	Footbridge	Treated timber frame with steel beams. Crossings over 1 m wide.	m	500	500
	123	Boardwalk	Treated timber - decking 1500x150x50mm, runners 100x100mm	m	15	18

	124	Environmental Improvement	Removal of normal litter. Up to 4 visits per year for low key sites and up to 15 for key sites.	visit	50	50
	125	Safety Inspection	Annual Inspection includes tree safety inspection and assessment of path, gates and stile condition.	visit	150	150
	126	Dangerous tree	Fell to waste large conifer and hardwoods (easy take down)	each	60	60
	127	Dangerous tree	Fell to waste large conifer and hardwoods (difficult take down)	each	100	100
	128	Dangerous tree	Fell and extract large conifer and hardwoods (easy take down)	each	100	100
	129	Dangerous tree	Fell + extract large conifer and hardwoods (difficult take down)	each	250	250
	130	Brashing	Manual brashing	k trees	350	350
	131	Pruning	High pruning	ha	250	300
	132	Supply and Erection of people counter	Limited to key sites	each	1200	1200

	133	Car park	Basecourse of 100mm of crushed stone to compacted depth of 20cm. Wearing course of Type 1 sub-base to a compacted depth of 10cm. 30 square ms/car	square m	5	5
Labour Rates	134	Forest Craftsman	labour	per day	100	120
	135	Forest Craftsman	labour plus chainsaw	per day	110	132
	136	Tree surgery	2 man team	per day	260	312

9.5 TRAINING

9.5.1 Support will be provided to farmers and foresters undertaking training courses to develop skills in a range of areas appropriate to the sustainable development of farm and forestry businesses. The areas of training will include information and communications technology, business skills and marketing, conservation and environmental skills, technical skills (agriculture, horticulture, forestry), quality improvements, on-farm food production and processing skills.

Other information

9.5.2 Eligible training courses will be accredited by Lantra (the Sector Skills Council for land based industries in the UK). Accreditation will require training providers to demonstrate that the course meets the objectives of the measure, and that it does not form part of normal programmes of agricultural and forestry education at secondary or higher levels. Training required solely to meet a legislative requirement will not be supported. Support will be available to individual farmers and foresters, including immediate family members involved in the business, and employees. No other public funds can contribute towards the cost of training supported under this measure. Payment will be provided to cover up to 75% of the cost of the training course and will require the submission of evidence that the course has been undertaken (eg receipts), up to a maximum of £500 per year.

9.5.3 Support will be provided to applicants undertaking training as part of the ‘Adding value to farm woodlands’ and ‘Developing farm woodland energy ‘ grants under the Scottish Forestry Grants Scheme. The areas of training will include courses to acquire forestry technical skills, business and marketing skills. Payment will be provided to cover 75% of the cost of eligible training courses, up to a maximum of £1000 per year. Eligible training providers will be recognised by LANTRA (the Sector Skills Council for land based utilities in the UK).

9.6 PROMOTING THE DEVELOPMENT AND ADAPTATION OF RURAL AREAS

Farm Visits and Talks

9.6.1 Payment will be provided to encourage farmers to carry out farm visits and off-farm talks to provide the wider public with a better understanding of the contribution farming and Cross Compliance can make to the local community and the natural and built environment. This will help raise awareness of land management and countryside issues and the contribution that agriculture can make to the local community.

Other Information

9.6.2 Farmers would need to establish that there is demand for such activity on their farm by securing support from either the local Royal Highland Educational Trust officer, the local authority, community council or a local community group. They would also be required to provide evidence that they are insured to receive visitors onto their premises and that the required health and safety obligations are complied with. A risk assessment form will need to be prepared for farm visits. A maximum of 10 farm visits or off-farm talks would be payable

in any one year. The farmer would also have to produce a pack containing educational information about the farm and surrounding area. The payment rate will be £100 for a farm visit and £50 for an off-farm talk.

Improving Access

9.6.3 Payment will be provided for path maintenance and for signposting and marking to facilitate managed public access on farmland for rural communities and visitors. It will also facilitate a better understanding by the general public of the importance that Cross Compliance plays in maintaining the countryside in a good environmental state. Agricultural land is an important resource for recreational activity by the general public. Specific access provision through signposting and marking will not only benefit local communities but also help to attract visitors to an area and create opportunities for farm diversification. Indirect benefits include increased opportunity for healthy outdoor recreation and for improving public understanding of agricultural practices, including food production.

Other information

9.6.4 Requirements include the identification of routes offering continuous access across the holding, directional signposting at entry points to the holding, and maintenance of paths to a specified standard. Eligibility will require farmers to hold appropriate public liability insurance. The payment rate will be £2.75 per square metre per year of path maintained, which has a 5 year commitment, and 75% of costs up to a maximum of £150 for the installation of signposts, waymarkers, gates, bridges, culverts or stiles as a one-off payment.

Land Management Plan

9.6.5 A Land Management Plan (LMP) will provide farmers with a better understanding of the environmental features and socio-economic information across the whole farm and will play an important part in managing the farm business in a sustainable manner. The Plan will provide information which will enable the farmer to choose other options from the Menu Scheme which are of most benefit to his holding and the surrounding area.

Other information

9.6.6 The LMP will be produced to a set specification which will include a spatially accurate map of the main features on the holding and an assessment of their condition, socio-economic information, and recommendations for activities that improve the sustainable development of the farm business. Farmers will receive payment to cover 75% of the cost of plan preparation, up to a maximum of £300 for holdings under 10 hectares and up to a maximum of £500 for holdings over 10 hectares.

Farm visits and talks	Farm visit 2 hour visit 2 x £5.75 = £11.50 4 hours preparation 4 x £5.75 = £23 2 hours for risk assessment 2 x £5.75 = £11.50 Materials = £54 Total = £100	Farm visit £100 Off-farm talk £50
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	Off-farm talk 1 hour for off-farm talk = £5.75 2 hours for preparation 2 x £5.75 = £11.50 1 hour travel time = £5.75 Materials = £27 Total = £50	
Improving access	Signposting, waymarkers, gates, styles, bridges, culverts Payment will be based on a reimbursement of costs. Path maintenance Strim or mow natural path surfaces and verges 0.5 m beyond path edge in May and August - £0.20 per square metre Cut back shrubs, trees and other vegetation to maintain clear path corridor 2.1m above path and across a width of 1.2m - £0.20 per square metre Selective application of herbicide in April and August - £0.05 per square metre Maintain drainage - £1.00 per square metre Clear litter from path surface and verges - £0.20 per square metre Clear glass from path surface - £0.10 per square metre Maintain existing gates, signs, styles, waymarkers, bridges - £1.00 per square metre Total - £2.75 per square metre	Signposting, waymarkers gates, styles, bridges, culverts: 75% of eligible costs for signposts/ waymarkers/ gates/ stiles/ bridges/ culverts up to a maximum of £150/structure. Path maintenance: £2.75 per square metre
Land Management Plan	Payment will be based on a reimbursement of costs. Plan production estimated to take 1 day of adviser time for farms under 10 ha and 2 days of adviser time for farms over 10 ha.	75% of costs of plan production up to a maximum of £300 for holdings under 10 hectares 75% of costs of plan production up to a maximum of £500 for holdings over 10 hectares

9.7 Membership of Quality Assurance Schemes

9.7.1 Support will be provided to encourage uptake of membership of quality assurance schemes. The production of quality products is the cornerstone of the Scottish strategy for agriculture. Quality is a key element in ensuring a sustainable and competitive agriculture sector focused on producing for the market and membership of a quality assurance scheme will enable farmers to adapt to a decoupled situation more easily.

Other information

9.7.2 An annual incentive payment will be available to all farmers participating in a quality assurance scheme. Evidence of membership of an accredited scheme will be required in order to receive payments. Joining fees and ongoing membership costs will be reimbursed at the rate of 50%, up to a maximum of £150 per scheme per year. A farmer can join more than one quality assurance scheme per year eg for cereals and pigs but cannot receive more than £1850 per year under this option. A farmer who is a member of the Organic Aid Scheme (OAS) at the date of application or joins the OAS during the same year is not allowed to claim funding for the membership of the organic private sector bodies listed below.

9.7.3 The quality assurance schemes listed below will be supported through this measure; all of the schemes are certified to EN45011 standard.

- Specially Selected Scotch Farm Assurance for cattle and sheep
- Specially Selected Scotch Farm Assurance Scheme for pigs
- Scottish Quality Cereals Assurance Scheme
- National Dairy Farm Assured Scheme
- Assured Chicken Production
- Assured Produce Scheme
- Scottish Quality Wild Venison Assurance Scheme
- Farm Assured British Beef and Lamb Scheme
- Lion Quality Code of Practice for Eggs
- Freedom Foods
- Genesis Quality Assurance Scheme
- Scottish Organic Producers Certification Scheme
- Soil Association Certification Scheme Ltd
- Organic Farmers and Growers Ltd – Organic Assurance Scheme
- Bio-dynamic Agricultural Association
- LEAF Marque

CALCULATION OF PAYMENT RATES FOR PRESCRIPTIONS UNDER MEASURE F OF THE LMC MENU SCHEME¹²

Prescription	Basis of Calculation	Calculation	Payment Rate															
1. Buffer Areas	<p>As buffer areas will remain static in rotational fields it is estimated that there will be a 50/50 split between arable land and improved grassland. Overall payment therefore based on the average of the income foregone from these two land types</p> <p>● Arable Land: There will be a 100% loss of income from arable crops, however grazing (70% output due to no applications of fertilisers and pesticides) can be undertaken in lieu of the cropping.</p> <p>The calculation is therefore the difference between the 100% output from av. mid-yielding Winter Barley, Winter Wheat and Spring Barley (less 5.5% av. Tenants Capital for the enterprises), and the 70% output from Upland/Lowground Suckler Cows - mainly silage diets</p>	<p>Arable Land <u>Income forgone:</u> Gross Margin Winter Barley = £391.00 per ha Spring Barley = £276.00 per ha Winter Wheat = £373.00 per ha Gross Margin (Cereals) average: £346.67 Less 5.5% interest on Tenant’s Capital saved: £59.00 100% loss of income: =£287.00/ha</p> <p><u>Income produced</u> from Upland/Lowground Suckler Cows – mainly silage diets.</p> <table><tr><td></td><td>per cow</td><td>per ha</td></tr><tr><td>Feb – May</td><td>£21.00</td><td>£40.32</td></tr><tr><td>May – June</td><td>£10.00</td><td>£17.80</td></tr><tr><td>Aug – Oct</td><td>£28.00</td><td>£43.68</td></tr><tr><td>Average =</td><td></td><td>£33.93,</td></tr></table> <p>assuming 70% production due to no application of fertiliser and pesticides (£33.93x70%) =£23.75/ha</p> <p><u>Income foregone (loss of arable income - output from grazing):</u> £287- £23.75 =£263.25/ha</p>		per cow	per ha	Feb – May	£21.00	£40.32	May – June	£10.00	£17.80	Aug – Oct	£28.00	£43.68	Average =		£33.93,	£200.00/ha
	per cow	per ha																
Feb – May	£21.00	£40.32																
May – June	£10.00	£17.80																
Aug – Oct	£28.00	£43.68																
Average =		£33.93,																

¹ Information for calculations taken from Scottish Agricultural College Farm Management Handbook, 2004

Prescription	Basis of Calculation	Calculation	Payment Rate												
	<p>● Improved grassland: Estimated that there will be a 30% loss of output from the grazings due to no applications of fertilisers and pesticides.</p> <p>Calculation based on Upland/Lowground Suckler Cows - mainly silage diets, Dairy Cows - silage ad lib (yield 7,000 litres) and Crossbred Breeding Ewes - Finished/store lamb production (Mainly silage diets).</p>	<p>Improved Grassland</p> <p>Average Upland/Lowground Suckler cows = £33.93/ha</p> <p>Dairy Cow – Gross margin for silage ad lib</p> <p>Av. Annual yield 7,000 litres: = £1,245.75/ha</p> <p>Crossbred Breeding Ewes – finished/store lamb</p> <table><tr><td></td><td>per 100 ewes</td><td>per ha</td></tr><tr><td>Upland</td><td>£779.00</td><td>£62.32</td></tr><tr><td>Lowground</td><td><u>£1,573.00</u></td><td><u>£143.00</u></td></tr><tr><td>Av.</td><td>= £1,176.00</td><td>£102.66 =102.66/ha</td></tr></table> <p>Average of above 3 figures =£460.78/ha</p> <p>30% loss of improved grassland production = £138.23/ha</p> <p>Income foregone on buffer areas:</p> <p>Arable Land: £263.25/ha</p> <p>Improved Grassland: £138.23/ha</p> <p>Average Income Foregone = £200.74/ha</p> <p>Incentive = 0%</p>		per 100 ewes	per ha	Upland	£779.00	£62.32	Lowground	<u>£1,573.00</u>	<u>£143.00</u>	Av.	= £1,176.00	£102.66 =102.66/ha	
	per 100 ewes	per ha													
Upland	£779.00	£62.32													
Lowground	<u>£1,573.00</u>	<u>£143.00</u>													
Av.	= £1,176.00	£102.66 =102.66/ha													
2. Biodiversity Cropping on Inbye (LFA)	15% yield reduction from non-use of herbicide and insecticide sprays. Income foregone equivalent to 15% production from average mid-yielding Spring Barley and Spring Oats less spray costs saved.	<p>Gross Margins:</p> <p>Spring Oats: £248.00 per ha; Spring Barley: £276.00 per ha</p> <p>Average Gross Margin: £262.00 per ha</p> <p>100% income foregone = £262.00 per ha</p> <p>15% income foregone = £39.30 per ha</p> <p>Spray costs saved = £20.00 per ha</p> <p>Income foregone = £19.30 per ha</p> <p>**Additional costs: £16.50 per ha</p> <p>Sub-total = £35.80 per ha</p> <p>Incentive (%): 12% = £4.29</p> <p>Calculated payment rate = £40.09 per ha</p>	£40.00/ha												

Prescription	Basis of Calculation	Calculation	Payment Rate
		<p>** Additional costs:</p> <p>Contractor's charge for ploughing field in spring-time when regular farm staff engaged in other peak-time activities: £33.00 per ha. 50% of contractors charge, assuming that farmers will plough at least 50% of their spring crop stubbles in the springtime using their own labour/ farm staff: £16.50 per ha.</p>	
3. Biodiversity Cropping on Inbye (LFA) Harvested By Traditional Reaping Method	15% yield reduction from non-use of herbicide and insecticide sprays. Income foregone equivalent to 15% production from average mid-yielding Spring Barley and Spring Oats less spray costs saved. The additional premium where the crop is harvested by a traditional reaping method is the equivalent of the cost difference between cutting, baling and wrapping a cereal crop for arable silage and cutting, stooking and stacking a cereal crop.	<p>Proposed payment rate for crop harvested by conventional method: £40.00 per ha</p> <p><u>Premium where crop harvested by traditional reaping method:</u></p> <p>Contractors charge for cutting, baling and wrapping arable silage (conventional method): £220.00 per ha</p> <p>Estimated cost of cutting, stoking and stacking crop (traditional method – using a binder): £330.00 per ha</p> <p>Additional cost (Premium): £110.00 per ha</p>	£150.00/ha (including premium)
4. Retention of Winter Stubbles	<p>Income foregone: The introduction of this system of management, with no herbicide application, will result in a 15% yield reduction. Income foregone is equivalent to 15% reduction in the average gross margin for Spring Barley and Spring Oats less herbicide spray costs.</p> <p>Additional costs: equivalent to 50% of contractor's charge for ploughing field in spring-time when regular farm staff engaged in other peak-time activities. Assumes that farmers will plough at least 50% of their spring crop stubbles in the springtime using their own labour/farm staff.</p>	<p>Income foregone</p> <p>Gross Margin</p> <p>SB £276.00, SO, £248.00</p> <p>100% yield reduction (Gross Margin Average): £262.00</p> <p>15% yield reduction: £39.30</p> <p>less costs saved: Spraying (herbicide): 19.62</p> <p>Additional costs:</p> <p>Contractor's charge for ploughing field in spring-time when regular farm staff engaged in other peak-time activities: £33.00 per ha</p> <p>50% of Contractor's charge, assuming that farmers will plough at least 50% of their spring crop stubbles in the springtime using their own labour/farm staff: £16.50 per ha</p> <p>Incentive payment: 11% = £3.98</p> <p>Total costs: £40.16</p>	£40.00/ha

Prescription	Basis of Calculation	Calculation	Payment Rate
5. Wild Bird Seed Mixture	Income Foregone: lost production equivalent to 100% output from av. mid-yielding Spring Barley, Winter Barley & Winter Wheat reduced by savings from 75% reduction in use of pesticides. Also additional cost of a wild bird seed mixture, assuming sown 3 in every 5 years.	<u>Income forgone:</u> Gross Margin WB £391.00, SB £276.00, WW £373.00 100% income foregone (av. Gross margin): £346.67 less costs saved: Sprays: £53.00 Total costs saved: £53.00 Additional costs: Differential cost of wild bird seed mix: £60.17 per ha assume sown in 3 of 5 years: £36.10 Total: £329.77 per ha <u>Cereals seed per hectare:</u> Winter barley = £51.00; Spring barley = £51.00; Winter wheat = £55.00 Average cost per hectare = £52.33 <u>Wild bird seed mix per hectare:</u> £112.50 Differential: £60.17	£329.00/ha
6. Summer Grazing of Unenclosed Land By Cattle	Additional costs: assume 10 minute's extra input per hectare is required for herding to ensure grazing of target areas. Labour costed at £5.75/hour.	Additional costs: Additional herding: 0.167 hours input per hectare @ £5.75 per hour: £0.96 Sub-total: £0.96 Incentive payment: 4% = £0.04 Total costs: £1.00 per ha	£1.00/ha
7. Management of Rush Pasture	Contractor's charge for topping rush pasture	Additional costs: Contractor's charge for topping rush pasture: £125.00 per ha Total: £125.00 per ha	£125.00/ha
8. Management of Linear Features	Hedgerow Additional costs: payment based on the increased cost of using a circular saw attachment as opposed to a flail attachment. Also costs associated with planting gaps and layering sections of the hedge.	Hedgerow <u>Additional trimming costs:</u> Assuming hedge base spans 1 metre on entry to scheme and hedge trimmed twice in each 5 year period. Both sides of hedge trimmed. Average contractor's charge - £15.60/hr. Standard flail work rate = 2km/hr Circular saw work rate = 1.25km/hr Extra cost to cover 2km with flail = £15.60 x 2/1.25 x 100 = £9.36/2000m	£0.10/m

Prescription	Basis of Calculation	Calculation	Payment Rate
		<p>This equates to additional cost on one side of hedge of 0.47p/metre Extra cost over 5 years of cutting two sides of hedge twice in 5 years $= 0.47p \times 2 \times 2 \div 5$ $= 0.37p/\text{running metre}$ 0.37p</p> <p><u>Additional costs associated with layering hedge and planting gaps:</u></p> <p>Assuming hedge base spans 1 metre on entry to scheme and that 10 metres in every 100 running metres of hedge are planted/layered in each 5 year period. Hedge planting/layering cost = £4.00 per metre.</p> <p>10m planting/layering x £4 = £40/100m for 5 years $= 8p/\text{year}$ 8.00p Total additional cost 8.37p Incentive 19.95% 1.63p Calculated payment rate 10.00p</p>	
	<p>Dyking</p> <p>Assuming average height of dyke is 1.2 metres and that 3 metres in every 100 running metres of dyke is repaired in each 5-yr period. Dyke maintenance costs = £22.00/running metre.</p>	<p>Dyking</p> <p><u>Additional costs associated with dyke maintenance ie repairing gaps or fallen stones over 3 metres in every 100 running metres</u></p> <p>Assuming average height of dyke is 1.2 metres and that 3 metres in every 100 running metres of dyke is repaired in each 5 year period. Dyke <u>maintenance</u> costs = £22.00 per running metres.</p> <p>£22/running metre x 3m = 66m divided by 1.2 = £55/100m</p>	£0.10/sqm

Prescription	Basis of Calculation	Calculation	Payment Rate
		= 55p/sqm/5 years = 11p/year/sqm Calculated payment rate 11p/year/sqm	
	Ditching Increased costs for carrying out ditch cleaning in an environmental manner. These are: - return visit by contractor due to being restricted to cleaning out 1/3 of ditches per visit and one side of ditches per visit. - requirement to spread and level soil over fields rather than banking.	Ditching Additional costs: Contractor's charge for return visit to clean ditch £1.50/m Removal of spoil (30% of ditch cleaning costs) £0.45/m Incentive 3% £0.05/m Total: £2.00/m Additional costs for return visit is to clean the 'other' side of the ditch. Therefore actual cost for cleaning one side is £1.00/m	£1.00/m
9. Management of Moorland Grazing	Additional costs: assume 10 minutes' extra input per hectare is required to carry out additional management practices, including shepherding, stock management and feeding practices. Labour costed at £5.75/hour.	Additional costs: Additional management practices: 0.167 hours input per hectare @ £5.75 per hour = £0.96 Sub-total: £0.96 Incentive payment: 4% = £0.04 Total costs: £1.00 per ha	£1.00/ha
1. Nutrient Management	<u>Additional costs:</u> equivalent to 21 minutes extra input per hectare required to carry out soil testing and maintain fertiliser application records. Labour costed at £5.75/hour.	Additional costs: Carrying out soil testing & maintaining records of fertiliser applications: 0.350 hours input per hectare @ £5.75 per hour = £2.01 per hectare of (improved) inbye land Total costs: £2.01 per hectare of (improved) inbye land	£2.00 /ha (improved) inbye land
11. Animal Health and Welfare Programme i) Implement a proactive	Farm labour costed at £5.75/hour (per enterprise, where more than 1) Veterinary rate costed at £57.00/hour	Farm labour – 7 hours @ £5.75 per hour = £40.25 Veterinary time – 3 hours @ £57.00 per hour = £171.00 Total costs: £211.25	£155.00

Prescription	Basis of Calculation	Calculation	Payment Rate
scheme for the use of treatments, including guidance on the use of veterinary advice and treatment.	Based on average livestock figures from June 2003 Census of 74 cattle and 299 sheep equivalent to 120 Livestock Units (LU) One cow is 1 LU, one sheep is 0.15 LU.	75% of costs: £158.44	
ii) Implement a proactive scheme for the use of vaccines and routine medications.	Farm labour costed at £5.75/hour (per enterprise, where more than 1) Veterinary rate costed at £57.00/hour Based on average livestock figures from June 2003 Census of 74 cattle and 299 sheep equivalent to 120 Livestock Units (LU) One cow is 1 LU, one sheep is 0.15 LU.	Farm labour – 6 hours @ £5.75 per hour = £34.50 Veterinary time – 1 hour @ £57.00 per hour = £57.00 Total costs: £91.50 75% of costs: £68.62	£65.00
) iii) Undertake additional inspection and monitoring to collate performance indicators and analyse all significant animal health and welfare related observations arising from inspections and implement an action plan to measure performance.	Farm labour costed at £5.75/hour (per enterprise, where more than 1) Based on average livestock figures from June 2003 Census of 74 cattle and 299 sheep equivalent to 120 Livestock Units (LU) One cow is 1 LU, one sheep is 0.15 LU.	Farm labour – 54 hours @ £5.75 per hour = £310.50 Veterinary time – 2 hours @ £57.00 per hour = £114.00 Total costs: £424.50 75% of costs: £318.38	£320.00
iv) Produce an action plan to ensure the safe integration of new stock on	Fence maintenance: materials costed at £1.50 per running metre. Labour costed	Cost of erecting a new stock proof fence = £3.10/m (1.50 materials, 1.60 labour SAC- The Farm Management Handbook	£30.00 action plan

Prescription	Basis of Calculation	Calculation	Payment Rate
farm and minimise the risk of spreading disease by maintaining fences around isolation areas to enhance biosecurity levels and to prevent diseases from entering the herd/flock.	at £1.60 per running metre. Based on figures from SAC Farm Management Handbook 2004/2005	<p>2004/05)</p> <p>Over a 10 year period a farmer would expect to re-wire and re-stob 50% of the fence = £1.55/m (£0.75 materials, £0.80 labour)</p> <p>Assume the life of the fence is 20 years (2x10 year periods). Cost over the life of the fence = £3.10/m</p> <p>Annual maintenance cost over the 20 year lifespan = $3.10/20 = 0.16$ x 75% grant = 0.12 rounded down to £0.10/m</p> <p>Action Plan production - Farm labour – 7 hours @ £5.75 per hour = £40.25</p> <p>75% of costs: £30.19</p>	£0.10 per running metre
v) On the advice of the veterinary surgeon to undertake sampling to identify diseases / conditions such as twin lamb disease or copper deficiency, which may be present on farm having a negative impact on animal health and welfare and take informed control measures to address conditions .	<p>Farm labour costed at £5.75/hour (per enterprise, where more than 1)</p> <p>Veterinary rate costed at £57.00/hour</p> <p>Based on average livestock figures from June 2003 Census of 74 cattle and 299 sheep equivalent to 120 Livestock Units (LU) One cow is 1 LU, one sheep is 0.15 LU.</p>	<p>Farm labour – 6 hours @ £5.75 per hour = £34.50</p> <p>Veterinary time – 3 hours @ £57.00 per hour = £171.00</p> <p>Total costs: £205.50</p> <p>75% of costs: £154.12.</p>	£155.00
vi) Analyse forages and obtain professional nutritional advice and implement advice from report.	<p>Farm labour costed at £5.75/hour (per enterprise, where more than 1)</p> <p>Veterinary and professional advisor rate costed at £57/hour</p>	<p>Farm labour – 6 hours @ £5.75 per hour = £34.50</p> <p>Veterinary/professional advisor time – 2 hours @ £57.00 per hour = £114.00</p> <p>Total costs: £148.50</p>	£110.00

Prescription	Basis of Calculation	Calculation	Payment Rate
	Based on average livestock figures from June 2003 Census of 74 cattle and 299 sheep equivalent to 120 Livestock Units (LU) One cow is 1 LU, one sheep is 0.15 LU.	75% of costs: £111.38	
12. Quality assurance schemes		Payment will be based on the reimbursement of costs for membership costs.	50% of costs, up to a maximum of £150

CHAPTER 10: NEED FOR ANY STUDIES, DEMONSTRATION PROJECTS, TRAINING OR TECHNICAL ASSISTANCE OPERATIONS

10.1 We understand that technical assistance is not available in terms of EAGGF Guarantee resources. However, we would wish to record that the Forestry Commission intends to arrange and manage a selection of annual seminars. These will act as “technology transfer” sessions, and will provide up-to-date information on practice and policy, with a view to encouraging good forest management. These activities will be financed from the relevant measure in the Plan.

CHAPTER 11: DESIGNATION OF COMPETENT AUTHORITIES AND BODIES RESPONSIBLE

11.1 The Scottish Executive Environment and Rural Affairs Department (SEERAD) is the competent authority designated in accordance with Article 41 of Regulation 1257/99 to prepare the Scottish Rural Development Plan, and to oversee its implementation. Lead responsibility for the Woodland Grant Scheme component of the Forestry Chapter (9.4) rests with the Forestry Commission. SEERAD and the Forestry Commission are Accredited Paying Agencies for EAGGF Guarantee Funds for the measures included in this Plan.

11.2 The Scottish Executive Environment and Rural Affairs Department Headquarters is at Pentland House, 47 Robb's Loan, Edinburgh, EH14 1TY (Tel: 0131-244-6161; Fax: 0131-244-4765). The Forestry Commission is located at 231 Corstorphine Road, Edinburgh, EH12 7AT (Tel: 0131-334-0303; Fax: 0131-334-3047).

11.3 Responsibility for implementing the Woodland Grant Scheme rests with the Forestry Commission. However, the network of local SEERAD offices (listed in Appendix D in the attachment to this Plan) provide a decentralised means of managing these schemes, and a local point of contact for farmers and crofters.

CHAPTER 12: PROVISIONS TO ENSURE THE EFFECTIVE AND CORRECT IMPLEMENTATION OF THE PLAN, INCLUDING MONITORING AND EVALUATION, A DEFINITION OF QUANTIFIED INDICATORS FOR EVALUATION, ARRANGEMENTS FOR CONTROLS AND SANCTIONS AND ADEQUATE PUBLICITY

12.1 Financial circuits

Details of administrative controls and sanctions follow later in this Chapter. The descriptions in that section apply to both agricultural and forestry schemes included in the Plan. Domestic match funding for EAGGF Guarantee measures which are administered by SEERAD is funded by the UK Exchequer's annual allocation to the Scottish Consolidated Fund. This Fund provides resources, subject to annual approval by the Scottish Parliament, all of the expenditure of the Scottish Executive.

The Intervention Board Executive Agency (IBEA), the UK Funding Body, holds UK Exchequer provision matching estimated sums of Guarantee Fund contributions towards the costs of measures, and brings to account the related receipts from the Fund. As payments under the appropriate measures come to be authorised, SEERAD seeks from IBEA the due funds representing the sum of the required Guarantee contribution. Gross payments are issued to beneficiaries, on the basis of claims which have been processed through the detailed procedures described later in this Chapter, while the Scottish Executive accounting system separately identifies the contribution in each case attributable to the Guarantee Fund.

As the Accredited Paying Agency, SEERAD declares the relevant expenditure on a monthly basis, via the Table 104, which is included by IBEA in its monthly UK indents to the Commission.

With regard to the Woodland Grant Scheme, the Forestry Commission undertakes procedures set out in the controls and sanctions section which follows later in this Chapter. All claims are desk-checked with a significant proportion (25-30%) then selected for field inspection. A risk analysis method of selection is used.

The gross grant which an applicant is eligible to receive is then paid to the applicant or his authorised nominee. On the first working day of each month, a computer program is run against the WGS database. This program selects all payments of grant made in the previous month which are approved for EU co-financing. The program restricts the overall Forestry Commission claim for co-financing to the limits set by the European Commission. On the basis of a monthly output report, the FC then indents to the IBEA for the amount shown. The IBEA then remits this amount to the Forestry Commission, and these are the sums accounted for in the European Commission and Forestry Commission annual accounts. The IBEA then indents the European Commission for the appropriate sums.

The schemes included in this Plan are also subject to internal audit, and audit from Audit Scotland. In addition, schemes are subject to ad hoc audit missions by the European Commission's Financial Control, and the European Court of Auditors.

12.2 Monitoring and evaluation

Responsibility for the monitoring and evaluation of the measures included in this Plan will fall to the Scottish Executive Environment and Rural Affairs Department and the Forestry Commission. Monitoring and evaluation will be carried out in accordance with Articles 41-45 of the RDR Implementing Regulation 1750/99.

SEERAD and the FC will create monitoring frameworks based on guidance from the Commission set out in document VI/12006/00. Monitoring information will be extracted from returns provided by the beneficiaries, and from physical inspections carried out in accordance with regulatory requirements. Financial information will be co-ordinated and derived from payment systems run by SEERAD and the FC, and computerised systems, particularly the Corporate Data Model which is linked to IACS, will be used to the maximum possible extent. Monitoring indicators for the agri-environment programme will be codified on the basis of Commission guidance. The first annual progress report will be available by the Commission deadline of 30 April 2001. We will provide as much information as we can using the format in Working Document VI/12006/00, but it will take us some time to establish systems and data collection arrangements in order to provide all of the information requested in the Commission Document. Data will be sourced from information available on SIACS, information provided by beneficiaries, and from physical inspections.

The Commission's Table 4 accompanies this Plan. Table 4 sets out our early forecasts of numbers of beneficiaries and expenditure sub-divided in accordance with the Commission's wishes. We envisage that this table will become more refined and accurate over the life of the Plan.

As the monitoring framework develops, we will be able to provide more detailed and meaningful information, both for internal monitoring and for the annual progress reports to the European Commission, as required by Article 41 of the RDR Implementing Regulation 1750/99. The flexibility provided by Article 35 of Regulation 1750/99 to facilitate amendments to the Plan is very welcome. Given our comments earlier in the Plan about the development of national strategies, particularly for Scottish agriculture, we envisage that we will make use of this facility to transform the Plan gradually into a mechanism to deliver strategies and policy objectives developed by the Scottish Executive, with the support of the wider Scottish Parliament.

Evaluation of the measures included in the Plan will be conducted by SEERAD and the FC in accordance with Articles 42-45 of Regulation 1750/99. Wherever possible, SEERAD and the FC will use the Commission Working Document VI/8865/99 as the basis for developing an evaluation framework. Mid-term and ex-post evaluations will be undertaken in accordance with Commission legal requirements. Evaluation of the Plan will be based on the requirements of Commission Working Document VI/12004/00. It is our intention that the mid-term and ex-post evaluations of the Plan will be undertaken by suitably qualified external consultants. The mid-term evaluation will be submitted to the Commission within the deadline of 31 December 2003, and we will inform the Commission of our reaction to this report, and any proposals for action flowing from the recommendations contained therein. The ex-post evaluation will be submitted to the Commission not later than two years after the end of the programming period, as required by Article 45 of Regulation 1750/99.

This report will be structured in accordance with Article 45(3), and it will be based around the common evaluation questions incorporated in Commission Working Document VI/12004/00.

12.3 Role, composition and rules of procedure of any monitoring committees

In view of our decision to include only measures to be co-financed from the EAGGF Guarantee resources within the scope of this Plan, we have reflected on the need to create a monitoring committee structure. Our understanding is that monitoring committees are not mandatory in terms of the legal requirements of either Regulation 1257/99 or Regulation 1750/99. We have concluded that there is no pressing requirement to create a Monitoring Committee for the purposes of tracking progress on the three Accompanying Measures included in the Plan. We would emphasise, however, that this does not mean that the Rural Affairs Department (which includes the Executive's environmental functions) and the Forestry Commission intend to administer and fund these measures without consultation with farming, land-owning, forestry, environmental NGOs and other organisations. There are very frequent contacts between the Department and the Forestry Commission, and organisations representing these sectors and we wish to continue our practice of consulting these organisations during the implementation of the Plan. Thus, there is ample scope for on-going dialogue about the progress, value and impact of the measures included in this Plan. It is also worth emphasising that, in addition to regular contacts at official level, Scottish Executive Ministers also stay in close touch with the leaders of the farming, land-owning, environmental and forestry sectors.

We will involve a range of economic and social partners in the monitoring and delivery of state-aided measures, falling outwith the scope of this Plan, covering marketing and processing and diversification of agriculture. Local authorities and local enterprise companies will bring their local knowledge and expertise to bear to assist with the delivery and funding of these schemes, thus bringing together national and regional strategy priorities, and utilising local expertise to avoid over-supply or serious displacement. We will also have representation from environmental organisations. Discussions are progressing with colleagues in the Scottish Executive Development Department, and with the Structural Funds Programme Executives for the new Objective 2 Programmes to look at ways in which delivery and management might be better integrated.

12.4 Publicity

Once the Plan is approved by the Commission, we envisage that the Scottish Executive and the Forestry Commission will make announcements, perhaps involving our Ministers. Further publicity will take place when the schemes included in the Plan are ready to open for applications. The involvement of EAGGF financial resources in these measures will be emphasised to ensure that the role played by Community funding is overt and transparent.

We are considering the possibility of a publication to highlight activities in Scotland which fall within the scope of the Rural Development Regulation (EC 1257/99). This would include publicity for the measures incorporated in the Plan, plus other state-aided measures which are not included in the Plan, but which fall within the ambit of the Regulation, in terms of Community Law. The investment of EU resources will, of course, be highlighted. If we proceed with this idea, this information would be available to the public, eg at local SEERAD offices and on our website. Copies would, as a matter of course, be circulated to the main

farming, land-owning, crofting and environmental organisations using well-established circulation lists. Once approved, we will also consider the incorporation of the Plan on the Scottish Executive website.

12.5 – Controls, Sanctions And Penalties

(NB: There are no “project based” measures in the Plan).

Introduction

12.5.1 This section of the Plan describes in general terms the financial controls and sanctions that will be applied in order to meet the requirements of Articles 46-48 of Regulation 1750/99. This Annex describes in more detail the controls that will apply to land based measures. It is written primarily from the perspective of the agri-environment schemes and the land-based forestry measures, but for the most part is equally applicable to the new area-based Less Favoured Area support scheme. Commentary on the specific controls to be applied for the LFA scheme is included in the relevant part of Chapter 9 of this Plan.

SCHEME IMPLEMENTATION PLAN

12.5.2 Each measure under the Rural Development Regulation will be subject to a Scheme Implementation Plan. Such a plan will specify the control measures in place designed to fulfil the requirements of the Commission implementing Regulations 1750/99 and Commission Regulation No. 1663/95 laying down the procedure for the clearance of EAGGF guarantee section accounts (and the IACS Regulations 3508/92 and 3887/92). Land areas and animals will be identified in accordance with Articles 4 and 5 of Regulation 3508/92. The alphanumeric systems used in IACS for agricultural parcels and for the identification and registration of animals will be used where these animals and land are the basis for aid measures in this Plan.

Responsibilities/Segregation of duties

12.5.3 The Scheme Implementation Plan will summarise the responsibilities for all the elements within the Department with a role in administering the scheme.

12.5.4 The administrative structure of the paying agency separates the three functions of authorisation, execution and accounting for payments. There is also separation between officials responsible for administrative checks, and those who carry out physical inspections.

12.5.5 SEERAD acts as paying agency for land based schemes, except for those land based forestry measures for which the Forestry Commission (FC) is the paying agency - see Chapter 6 for measures implemented by SEERAD and FC.

Delegation of functions to third parties

12.5.6 There will be no delegation of functions to third parties.

Payments

12.5.7 There will be procedures in place to ensure that payment is only made to the claimant, to his/her bank account or to his/her assignee.

12.5.8 There will be procedures in place to ensure that monthly and annual declarations are complete, accurate and timely and that any errors or omissions are detected and corrected in particular through checks and reconciliations performed at intervals not exceeding three months.

12.5.9 The paying agency will recognise amounts due to EAGGF and record these sums in a debtors ledger.

Computer controls

12.5.10 Where claims are processed using a computer, access to the computer system will be protected and controlled in such a way that:

- (i) all information entered onto the system is properly validated to ensure that input errors are detected and corrected;
- (ii) no data will be entered, modified or validated except by authorised officials to whom individual passwords are given;
- (iii) the identity of each official entering or modifying data or programmes will be recorded in an operations log; (the FC, as a lesser paying agency, and by offering equivalent guarantees, have been granted exemption from the need to operate such a log)
- (iv) where documents relating to the claims authorised are retained by other bodies, procedures will apply so that access is provided for the paying agency staff who deal with the claim, the paying agency internal audit service, the body that attests the paying agency's annual declaration and mandated officials of the European Union.

Checks

12.5.11 Each scheme will have its own detailed written procedures for the receipt of applications, the processing of applications and of claims. Each official responsible for authorisations will use a detailed check-list setting out the verifications that are required and will attest that these checks have been performed. Checks undertaken and the results of those checks will be evidenced on registered files together with details of the checking officer.

Pre-approval checks

12.5.12 All applications will be submitted on an approved form and contain all the information required to undertake an assessment and validity checks.

Integrated Administration and Control System (IACS)

12.5.13 Exhaustive checks will be completed, in accordance with prevailing requirements and the IACS Regulations (currently Regulations 3508/92 and 3887/92), between applications and claims under the land based schemes and IACS, both as an anti-fraud measure, and to ensure that expenditure under one scheme does not frustrate or duplicate expenditure under another. Land areas and animals will be identified in accordance with Articles 4 and 5 of Regulation 3508/92. The alphanumeric systems used in the IACS for agricultural parcels and for the identification and regulation of animals will be used where these areas or animals are the basis for aid. (Forestry has been brought within the IACS Regulation for the first time. Because of this the Forestry Commission is seeking further clarification of how the Regulation will be interpreted in particular for existing woodlands.)

Application processing

12.5.14 Each valid application for an agreement/undertaking will, unless the application is withdrawn or rejected (in which case the reason for rejection must be specified), be considered in accordance with prevailing instructions and UK/EC Legislation with regard to financial limits and targets where appropriate.

12.5.15 When applications are received, they will be subject to administrative desk checks by staff, following a formal checklist.

12.5.16 Applications will be subject to desk checks to ensure that the land subject to the application is eligible to be entered into the Scheme, and that the applicant(s) has sufficient security of tenure over it. Checks will also be made (using IACS) to ensure that all field details are IACS compliant or compatible, that the applicant has not been excluded from any schemes under the Rural Development Regulation, to identify potential conflicts of interest and ensure there is no potential dual funding associated with payments under other schemes. All applications to be approved will be subject to a site inspection before approval.

12.5.17 Apart from initial administrative checks, assessment of applications (including, where appropriate, pre-approval inspections) will be carried out by professionally qualified officers, who will provide advice on applications and provide an assessment to assist in decisions on which applications should be offered agreements/accepted.

12.5.18 Agreements will only be offered or applications approved when all checks have been undertaken and when the checks undertaken have demonstrated that the application is in compliance with the scheme rules and regulations. Agreements or approved applications will refer to the precise prescription(s) and conditions with which the agreement holder/applicant needs to comply and the areas of land subject to the proposed undertaking. For an agreement or undertaking to come into force it must be signed by the agreement holder or applicant, and authorised by a duly authorised SEERAD/FC official. In deciding the levels and persons to whom this authority is delegated, due regard will be paid to the duration/nature of the agreement/undertaking, and the sums committed by the agreement/undertaking. Authorisation checks will be made according to an authorisation checklist and will be evidenced on registered files together with details of the checking officer.

12.5.19 Checks over the processing of applications within each Area Office will be undertaken by higher grade staff to ensure that work is being carried out to the appropriate standard. A record of both the checks and the selection method will be maintained. Checks undertaken and the results of those checks will be evidenced on registered files together with details of the checking officer. Annual administrative checks will be made on multi-annual engagements. Where investments in agricultural holdings are involved, checks will include at least one physical inspection.

Claim Processing

12.5.20 Claims received will be processed promptly so that payments to agreement holders/approved applicants can be made within published timescales. Payment will only be made in respect of land or items specified in an agreement/undertaking. Administrative desk checks will be made, following a formal checklist.

12.5.21 The databases used for processing claims record which items are co-financed and the relevant EU ceiling so a breach of a ceiling can be identified when a claim is entered on a the database. (The FC system operates in a different way but automatically ensures the EU ceiling is not breached). For areas under agreement/undertaking which receive payment for more than one measure, the two payments will be added together to ensure they do not breach the area payment ceiling. Any excess over the ceiling will be paid as a state aid. Where linear features are included in an agreement/undertaking and are co-financed, these will be claimed on an area basis.

12.5.22 Individually named officials will be given authority to authorise claims for payment. Claims will not be authorised unless the desk checks undertaken demonstrate that the claim is in compliance with the scheme rules and regulations.

12.5.23 Checks on the processing of claims within each Area Office will be undertaken by higher grade staff. A record of both the checks and the selection method used will be maintained. Authorisation checks will be evidenced on file together with details of the person undertaking the check.

On-the-spot checks/risk analysis

12.5.24 On-the-spot checks will be carried out to ensure that the conditions of the scheme are being met by agreement/undertaking holders in accordance with Article 47 of Regulation 1750/99 re spot checks will cover at least 5% of beneficiaries each year covering all schemes in the Plan. The risk analysis on which selection of beneficiaries to be checked on-the-spot is based will take into account representativeness, the amount of aid involved, the number of parcels of land and area concerned, changes from the previous year, findings from previous checks and other relevant factors.

12.5.25 The inspectors (agricultural officers or forestry inspectors) carrying out the inspections will be fully trained.

12.5.26 There will be detailed instructions for each type of on-the-spot control covering the approach and all details of the inspection. These will include details of how different type of management prescriptions are to be checked.

12.5.27 There will be a standard report for each type of on-the-spot control/measure covering the reconciliation with beneficiaries records, the method of counting or measuring or weighing or analyses applied, the quantity or area that was checked, the respect of other conditions relevant to the scheme and the results compared to the details declared.

12.5.28 In addition to those inspections, further (targeted) inspections may be carried out for a specific purpose eg if a particular problem is identified. Whilst recorded separately, these inspections will be undertaken in the same manner as other inspections. They will not be taken into account in the analysis of inspections in relation to the on the spot checks requirement. The results will be recorded in the usual way.

12.5.29 Once an inspection has been selected, it cannot be de-selected and claims under the selected agreement/undertaking must not be authorised for payment until a satisfactory inspection has been completed.

12.5.30 Where Schemes include a number of requirements or prescriptions with which an agreement/undertaking holder must comply, in order to be eligible for payment, the on-the-spot inspection will take place during the optimum period to provide evidence that these requirements are being met. All failures (non-compliance) found during an inspection must be reported by inspecting officers. The inspection will also involve an inspection of farm records where necessary.

12.5.31 There will be timely communication and data input of the inspection results before payment is made and a detailed record showing the results of the inspection process will be maintained on file. The results of inspection will be analysed centrally and on a regional basis and to show if there is a significant level of irregularities.

12.5.32 If the rate of *significant irregularities* exceeds a specified level, the inspection rate will be increased.

12.5.33 Each case of irregularity will be followed up as regards applying penalties, making reductions to the aid, making recoveries in respect of previous years or previous operations where necessary.

12.5.34 Irregularities will be reported to the EC in accordance with prevailing guidance.

12.5.35 An agreed percentage of inspections will be re-performed by an official senior to the inspecting officer. These will be treated in the same manner as random, risk and targeted inspections but will not be counted towards the compliance monitoring requirement.

BREACHES AND PENALTIES

Breaches

12.5.36 A breach, within the schemes, is a failure to comply with the EU or relevant UK legislation, with the rules of the scheme, and/or to carry out the undertaking/agreement including any works described in it. Breaches will vary in degrees of seriousness and responses to breaches will be commensurate with the offence.

12.5.37 Where a breach has occurred, an assessment will be made by professionally qualified officers using a standard pro-forma. Consideration will be given to the circumstances and factors and an appropriate response determined. The reason why a particular option is chosen (and the reason why other options were not considered appropriate) will be fully recorded.

12.5.38 The response to a breach will be proportionate to its seriousness. Where a serious breach has occurred, the response should have an appropriate deterrent effect. The aims/objectives of the Scheme (to provide specific environmental benefits) and the need to retain the benefits already gained will, however, also be considered.

FACTORS TO CONSIDER

Seriousness of the Breach

12.5.39 A number of factors will be taken into account in assessing the seriousness of a breach: these will include the permanence of the breach, its extent, previous history of the agreement/undertaking holder and their intentions, as well as an assessment of the impact that the breach has on the objectives of the agreement/undertaking.

The Response to a Breach

12.5.40 There are numerous possible responses to a breach, ranging from a Warning Letter (appropriate only for very minor breaches) to Termination of the Agreement/Undertaking and the associated Penalties/Recovery action. Investigation with a view to prosecution may also be appropriate.

12.5.41 Where it is found that a false declaration has been made as a result of serious negligence, the penalties will be governed by Article 48(3) of Regulation 1750/99. This will involve the beneficiary being excluded from rural development measures for the calendar year in question or for a further year if the declaration was intentional and the agreement/undertaking being terminated. Where a false declaration is less serious, the agreement/undertaking will not be terminated and the exclusion from other measures will not apply but payments will be withheld for up to 2 years with the terms of the agreement/undertaking still having to be met. Where discrepancies are found between an area or number of animals declared and the area or number observed, the same penalties as those imposed under IACS (Regulation 3887/92) will be applicable.

RECOVERY PROCEDURES

Overclaims and Overpayments

12.5.42 Where an unforeseen event outwith the applicant's control has directly resulted in a breach of the rules or related undertaking, SEERAD will consider pleas of force majeure in line with Article 30 of Regulation 1750/1999.

12.5.43 In all cases where an overclaim or overpayment is identified the procedures for reporting irregularities will also be followed. Where there is a major breach any outstanding Scheme payments will be suspended.

Penalties

12.5.44 In addition to withholding/recovery of wrongful payments, with interest, penalties will be applied in appropriate cases as a disincentive for agreement/undertaking holders to break scheme rules or breach the terms of their agreement/undertaking in the future. Penalties may be appropriate where:

- significant and permanent environmental damage has been caused;
- the achievement of the agreement's overall objectives has been prevented or;
- economic benefit has been derived through not complying with the agreement/undertaking (including not incurring costs required to be borne as a condition of the agreement/undertaking).

12.5.45 **Penalties will be applied unless considerations of proportionality show them to be inappropriate.** Agri-environmental/land based schemes use a measure of discretion since the schemes are voluntary and depend for their success on the willing participation of agreement/undertaking holders. In deciding when to apply penalties, the need to deter deliberate non-compliance will be balanced against the needs of the scheme to secure long-term co-operation.

Interest

12.5.46 Where the overpayment is the result of claimant error, interest will be charged on the repayment. Where the overpayment is the result of an error by SEERAD, no interest or other additional penalty will be levied.

Irregularities

12.5.47 An irregularity is an infringement of EU or UK law which affects the EU budget. Reporting of irregularities and reimbursement of irregularities will be dealt with in accordance with agreed procedures.

Investigation Action

12.5.48 Some breach cases give rise to suspicions of deliberate fraud. This will usually be where the statements made were false or misleading, or where the actions taken led to payments that were clearly inappropriate. In such situations consideration will also be given to formal investigation procedures leading to possible prosecution.

ARTICLE 12: UK PROPOSALS FOR IMPLEMENTATION

12.5.49 This article requires that for agri-environment agreement holders:

12.5.50 An undertaking to extensify livestock farming or otherwise to manage livestock farming shall comply with, at least, the following conditions:

- grassland management shall continue

- the livestock shall be distributed across the farm in such a way that the whole of the grazed area is maintained, thus avoiding both over-grazing and under-utilisation, and
- a livestock density shall be defined taking into account all grazing livestock kept on the farm, or in the case of an undertaking aimed at limiting nutrient leaching, all livestock kept on the farm relevant for the undertaking in question.

12.5.51 For the purposes of operating the agri-environment schemes we will interpret farm as:

“a coherent area of land which is managed under the charge of the beneficiary or beneficiaries for the period of the agreement”.

12.5.52 This includes any land rented for the full term of the agreement, but excludes short term tenancies and temporary grass keeps. The area concerned will be identified at the beginning of the agreement.

12.5.53 We propose to implement the requirements of the Article in the following way.

First Indent – “grassland management shall continue”.

Grassland will be defined in accordance with IACS definitions as:

- **Permanent grassland** – grass which includes all moorland vegetation, rough grazing, pasture and any areas which had been in grass for five years or more at 31 December 1991 (including grass that was re-seeded, grazed or cut for hay or silage during that period).
- **Temporary grassland** – areas sown with grass – excluding reseeded – on or after 1 January 1987 (ie areas put to grass for less than 5 years prior 31 December 1991).

12.5.54 Grassland management requires “grassland management shall continue” and that “the whole of the grazing area is maintained”. This could include routine reseeded as permanent or temporary grass depending on the category involved. The agri-environment applicant will be required to identify the total area of permanent and temporary grassland based on their IACS declarations (where appropriate) in the two years prior to the date on which the application is made. This should deter potential applicants from ploughing up grassland to minimise the area subject to Article 12 conditions.

12.5.55 Agreement holders will be able to vary their temporary grassland area to within 20% of the grassland area stated at the outset of the agreement, so giving some degree of management flexibility. This is essential in mixed farming systems, as temporary grassland will be used in rotations and move around fields on the farm. These can vary in size making it impossible to maintain a constant area under grass without sub-dividing fields. No decrease in permanent grassland area will be permitted for the duration of the agreement. Increases in grassland area will be permitted.

12.5.56 Agreement holders will be able to apply for an amendment to their minimum area of permanent and temporary grassland if a significant and justifiable change in management

practice is required. A technical assessment would need to be made of the fields in questions against environmental criteria, and if the environmental impact were minimal or possibly beneficial, an amendment may be agreed.

12.5.57 Second Indent - “the livestock shall be distributed across the farm in such a way that the whole of the grazed area is maintained, thus avoiding both overgrazing and under-utilisation”.

12.5.58 Where grassland management is carried out on land under agreement, it will be subject to a prescribed management regime to achieve scheme objectives.

12.5.59 Grassland outside of areas being managed under agri-environment scheme environmental prescriptions will need to be managed in accordance with good farming practice which requires avoidance of under-utilisation and over-grazing. Specific areas may be excluded, following assessment, where stock exclusion or temporary heavy grazing may be necessary to achieve environmental objectives.

12.5.60 Under-utilisation is defined as:

“Land where there is evidence of the annual growth not being fully utilised, or scrub and coarse vegetation is becoming evident, and such changes are detrimental to the environmental interest of the site.”

12.5.61 Overgrazing is defined as:

“Grazing land with livestock in such numbers as to adversely affect the growth, quality or species composition of vegetation (other than vegetation normally grazed to destruction) on that land to a significant degree”;

12.5.62 In some cases no supplementary feeding is permitted under the terms of the agreement. Where it is permitted, the feed must be provided in such a way that the vegetation is not excessively trampled or poached by animals or excessively rutted by vehicles used to transport feed.

12.5.63 Cases of suspected under-utilisation, overgrazing or unsuitable supplementary feeding will be investigated, and failure to follow advice thereafter would be a breach of the above conditions.

12.5.64 Third Indent – “a livestock density shall be defined taking into account all grazing livestock kept on the farm, or in the case of an undertaking aimed at limited nutrient leaching, all livestock kept on the farm relevant to the undertaking in question”.

12.5.65 A stocking density will be established at the time of application. This stocking density will then be written into the agri-environment agreement. SEERAD will carry out administrative checks at claim stage, to identify cases where stocking levels are such that overgrazing, as defined above, may occur. If checks on livestock claims indicate they exceed the stocking density stated in the agri-environment agreement, a field inspection will be triggered. If the site inspection reveals the land in question can sustain the number of stock

there will be no breach, and the threshold for that farm may be raised. Routine control inspections in the field will also identify signs of overgrazing or under-utilisation.

Verification and Controls

12.5.66 Information regarding the land use, area and location of land parcels or fields already exists for holdings registered under IACS. SEERAD will check agri-environment proposals against IACS records to determine the area of permanent and temporary grassland. Any alterations to areas or land use must be notified to SEERAD. Agri-environment applicants who are not IACS registered, will be required to identify all permanent grassland on a land parcel basis and state the total area of temporary grassland on the farm.

12.5.67 Agri-environment scheme claims will include a cross check to the last IACS declaration to ensure that at least the minimum area of temporary and permanent grassland is identified. Where the IACS declared area is below the Agri-environment scheme minimum the case will be identified for further checks in the field, to establish whether the condition to maintain the total grassland area on the farm has been breached.

12.5.68 SEERAD Agricultural Officers will be responsible for the verification of grassland areas and livestock numbers and for carrying out checks for under-utilisation and overgrazing. In cases of uncertainty, technical advice will be sought from specialists.

ORGANIC AID SCHEME: MONITORING, EVALUATION, CONTROLS AND SANCTIONS

12.5.69 Linkage to the UKROFS standards will ensure that satisfactory environmental and organic standards are maintained. Monitoring of uptake is undertaken on a monthly basis by SEERAD and a formal evaluation will take place over the next 18 months to assess the effectiveness of the scheme and the need for any changes.

Other Controls

12.5.70 In addition to the financial controls operated by Conservation Branch, Rural Affairs Department and their Area Office network, The Scottish Executive Finance Group (SEFG) advises Departments on the general financial policy applied throughout The Scottish Executive with regard to value for money, propriety, regularity, correct financial procedures and the arrangements for checking payment claims. The SEFG is assisted by The Scottish Executive Audit Unit (SEAU) who will examine at least once in every 5 year period the internal control system in operation at the local office. These will involve reviews of both the control arrangements for drawing up procedural instructions in compliance with Scheme legislation, monitoring and review, and the examination of office controls and procedures for administering the Scheme and paying arrangements. Over and above the audits carried out by SEAU, the UK Government's National Audit Office will carry out independent checks on the certification procedures of the OAS.

EAGGF Accounting

12.5.71 The Intervention Board (IB) is responsible for recording the EAGGF portion of expenditure in its accounting system from information provided by SEERAD at the time of request for reimbursement from the IB. The IB is responsible for declaring this expenditure in month to the EAGGF via its Indent, in order, to obtain Community Funding for the UK. The UK is accountable to the EAGGF through the IB, and for this purpose the UK Departments with responsibility for agriculture and rural affairs are responsible for preparing annual declarations which agree with the in year funding in accordance with the EAGGF Aide Memoire and submitting these to the IB for forwarding to the EAGGF. IB are responsible for checking that these declarations are in agreement with funding according to its accounting system.

12.5.72 Administrative checks:

In operating the Scheme at local area levels, the Principal Agricultural Officer (PAO) will be responsible for consideration and approval of all applications and claims for payment of aid; staff will carry out administrative desk checks using a comprehensive check list to:

- ensure that the application form has been fully and correctly completed and is accompanied by a valid conservation audit and relevant map;
- check for other conservation agreements, Sites of Special Scientific Interest (SSSI) involvement and to identify existing management agreements;
- identify potential conflicts of interest or potential dual funding associated with other Schemes;

12.5.73 On farm spot checks:

All applications will be subject to detailed eligibility checks by the approved sector body which will include a site visit to check the hectareage covered by the proposals and the viability of the proposals before being accepted into the Scheme. The site visit will also establish that the applicant understands the Scheme rules and is able to comply with them. The Scheme therefore envisages that applicants will be aware of their responsibilities and be actively involved in ensuring that the objective of this proposal is continually assessed and monitored, thereby ensuring compliance with the commitments entered into.

12.5.74 Scheme Management:

Within his local area office, the PAO is in overall control of the local office(s), and he will take responsibility for the OAS and be responsible for the co-ordination of professional and technical staff input, and contacts with other involved organisations. This will include organic sector bodies who are responsible for monitoring and inspection arrangements. Under his supervision, the professional agricultural staff will, with the assistance of the administration staff, ensure the processing of all applications for entry into the OAS, following which, if acceptable, the PAO will write to offer approval into the Scheme.

12.5.75 Compliance Monitoring:

OAS proposals will be checked by an approved sector body for all participants each year. This will involve a farm visit and inspection by an accredited officer together with a detailed discussion with the applicant. SEERAD staff visiting in relation to other agricultural schemes will be mindful that the holding is an organic enterprise and will report on any issue which may call for further investigation or checking.

Financial arrangements from EAGGF to the final beneficiary

12.5.76 Claims are received and checked by the local area offices who, on approval, pass the relevant payment authorisations to the Scottish Executive Finance Group (SEFG). SEFG are responsible for making payments to beneficiaries and for arranging the transfer of funds from the IB to cover the EAGGF portion of the payments.

12.5.77 Checks to be made prior to payment:

The applicant will be eligible for the appropriate hectare payment to cover their specific proposal to be paid on each anniversary of entering the scheme. Because of the earlier visit by a sector body and documentation clearance forwarded to SEERAD, a paper check will be undertaken to check claim details before certifying and arranging for payment.

Penalties provided for according to the gravity of the irregularity:

Administrative penalties

12.5.78 If an applicant fails to carry out his obligations, the terms of the OAS will allow recovery of all or part of the payments made. A system of penalties has been introduced and will continue over the period covered by this Plan.

12.5.79 The imposition of a penalty is not mandatory. Each case must be decided on merit. Cases where there is a valid reason for the breach are unlikely to merit a penalty. When determining the level of penalty to be applied, Area Offices will consider the participant's approach and commitment to his scheme obligations as a whole. This is particularly important if penalties cannot be directly attached to breaches on organic farming but such breaches should be taken into account when forming a judgement on the participant's level of commitment and approach to his overall scheme objectives. Penalties must not exceed 10% of total reimbursable aid* over 5 years.

Reasons for Breach	% to be applied	Aid on which penalty to be applied (see categories below)
1. Accidental oversight	25% (subject to a min of £100)	(a)
2. Negligence	Up to 5% (subject to a min of £250)	(b)
3. Gross negligence	Up to 10% (subject to a min of £500)	(b)

Aid on which penalties should be applied (see end column above)

(a) amount to be recovered (net of interest) and/or withheld and/or amount of overclaim.

(b) up to a total amount of reimbursable aid* over 5 years.

*“reimbursable aid” means the total payments which attract EC reimbursement over 5 years as per the participant’s payment schedule at the date of breach.

Criminal penalties

12.5.80 Payments obtained dishonestly - may result in prosecution.

CHAPTER 13: RESULTS OF CONSULTATIONS AND DESIGNATION OF ASSOCIATED AUTHORITIES AND BODIES, AS WELL AS ECONOMIC AND SOCIAL PARTNERS

13.1 SEERAD has undertaken formal consultation exercises on the implementation of the Rural Development Regulation in Scotland. Discussions have also taken place on many occasions with a wide range of public sector, industry and environmental bodies, both at Ministerial and officials levels. In March 1999, around 200 consultees were invited to comment on the objectives of the Regulation (then in draft form), the geographical level at which Rural Development Plans should be drawn up, prioritisation of a wide range of measures available from the RDR “menu”, and delivery arrangements. An analysis of the responses received was issued to consultees in August 1999, along with Ministerial conclusions on the way forward for implementing the Regulation in Scotland. Separate and specific consultations were issued in January 1998 and March 1999 respectively on the proposed merging of agri-environment schemes (now reflected in the Plan) and on the future shape of arrangements in Scotland for supporting less-favoured areas.

13.2 In addition, the Department issued a consultation letter on 10 January 2000 about the introduction of modulation in Scotland under Regulation 1259/99. A further letter was issued on 4 August 2000 to consultees and this provided an analysis of the responses to the consultation, as well as describing the methodology for implementing modulation in Scotland, and decisions on the allocation of modulated EU resources, plus additional funds to be provided by the UK Government as part of this process. Although the main farming and crofting organisations opposed the principle of introducing modulation in Scotland, the National Farmers’ Union of Scotland qualified this opposition by setting out its priorities for investments if modulation proposals were implemented. There was, however, widespread support for the Department’s proposals, including from the Scottish Landowners’ Federation, local authorities and environmental bodies.

13.3 A large majority of the responses received to our formal consultation shared the Executive’s enthusiasm for the Regulation, as a major step towards better integration of agricultural policy, with wider rural development objectives. The possibility of using EAGGF Guarantee resources for rural development projects beyond the farm gate was also welcomed, although farming organisations were very keen to avoid any loss of financial support to the industry. Environmental organisations were also enthusiastic about the Regulation, and they have encouraged the Executive to increase significantly the level of investment in the agri-environment programme, and to fund the other environmental measures incorporated within the scope of the Regulation.

13.4 Farming and land-owning organisations saw considerable scope to use the provisions of the Regulation to help underpin the long-term sustainability of Scottish agriculture, as well as assisting with the restructuring of the industry. Across the spectrum of responses, there was a common theme that much more could be done to exploit the quality of Scottish agricultural produce, through the development of value-added products, improved marketing, and through more localised and specialised processing facilities. Assistance for diversification projects also featured strongly in responses. Analysis of the consultation responses confirmed general support for Scotland-wide delivery of the CAP Accompanying Measures now included in this Plan. There was mixed support for introduction of an early retirement scheme in Scotland. The National Farmers’ Union of Scotland saw this as a priority, but few other organisations supported this

view, and expressed a preference for the limited resources available being invested in more economically pro-active measures

13.5 The general reaction to the RDR in Scotland has been very positive, but the low level of EAGGF Guarantee resources (exacerbated by the weakness of the euro against sterling) has inevitably caused disappointment that it will not be possible to use EAGGF co-finance for a much wider range of measures incorporated in the Regulation. The decision taken by SEERAD to remove non-accompanying measures, incorporated in the earlier version of the Plan, for which no EAGGF co-finance was available, has caused disquiet among some members of the Plan Team. These members were keen, in particular, for more support, possibly through the implementation of modulation, for a range of activities included in Article 33 of the Regulation.

13.6 These concerns are acknowledged, and it is recognised that the range of measures in the Plan, ie agri-environment, LFA support and forestry, may appear rather narrow, in comparison with the opportunities available from other Chapters in the Regulation. The proposed (state-aided) measures for marketing and processing of agricultural products, and agricultural development and diversification, will provide significant scope to support key activities highlighted in the SWOT analysis, and the strategy. Since these activities also fall within the scope of the Rural Development Regulation, we would contend that a reasonable balance of measures will be achieved, albeit without EAGGF co-finance for all activities.

13.7 We have also emphasised to the Plan Team that the Plan will evolve over time to reflect new strategies and policy objectives flowing from the Scottish Executive, and the Scottish Parliament. Funding priorities and financial performance will be kept under close review, and it may be, therefore, that EAGGF and domestic resources will be available in the future for a wider range of activities.

13.8 It is also worth recording that the agricultural development measures flowing from the Regulation, which are included in the Highlands and Islands Special Transitional Programme, were developed by a sub-group of the main Highlands and Islands Plan Team, augmented by representatives from the farming, land-owning and crofting sectors. This group reported to the main Plan Team who have endorsed the measures developed by the sub-group. We regard involvement from the agricultural organisations as vital in developing the new marketing and processing and business development/diversification schemes, and close contact with the industry and environmental organisations will be maintained in terms of the implementation and funding of the Accompanying Measures included in this Plan.

CHAPTER 14: BALANCE BETWEEN THE DIFFERENT SUPPORT MEASURES

14.1 As a consequence of the limited EAGGF resources available, and the level of demand, particularly for agri-environment support, we have had to give highest priority to the three Accompanying Measures incorporated in the Plan. Our view is, however, that this is in line with the objectives and priorities highlighted in the Plan. Inevitably, the resource position has affected the balance of non-accompanying measures, although it is our intention to introduce state-aided measures for marketing and processing of agricultural products, and the development and diversification of agriculture, thus, we hope, achieving a better balance of measures falling within the scope of the Rural Development Regulation.

14.2 It is confirmed that the agri-environment measures included in this Plan will apply across all rural areas of Scotland.

14.3 At various points throughout this Plan, we have highlighted our intention to introduce new, state-aided schemes for marketing and processing of agricultural products (consistent with the terms of Articles 25-28, and indent 4 in Article 33) and the development and diversification of agriculture (consistent with Articles 4-7 and indent 7 in Article 33). These schemes will apply across all rural areas of Scotland.

14.4 The Highlands and Islands Special Transitional Programme includes a range of EAGGF measures, falling within the scope of the Rural Development Regulation. These measures include investments in agricultural holdings, diversification (including training associated with eligible capital projects), marketing and processing of agricultural products, a crofting communities development scheme, and protection and conservation of the environment and rural heritage.

14.5 In addition, there is a range of other activity, supported by a variety of public sector organisations in Scotland, which will lead to the development of our rural areas, and the protection and conservation of the environment. These organisations include, for example, Scottish Natural Heritage, rural local authorities, local enterprise companies, and mainstream programmes supported by the Scottish Executive. We describe, earlier in the Plan, the priorities identified for new Objective 2 and Objective 3 EU Structural Funds Plans, and how they will benefit rural areas.

CHAPTER 15: COMPATIBILITY AND CONSISTENCY

15.1 The Scottish Executive Environment and Rural Affairs Department and the Forestry Commission, as the Accredited Paying Agencies for measures included in the Plan, will ensure that these measures are compatible and consistent with other Community policies and instruments, and national instruments.

15.2 Measures operated under this Plan will comply with obligations set out in Community Treaties, and with the Commission's guidelines for state aids in the agricultural sector. The measures will comply with Community environmental and sustainable development obligations.

15.3 Since SEERAD is the competent authority responsible for the delivery of support in Scotland under the Common Agricultural Policy and the Common Market Organisations, it is well placed to ensure that the measures in this Plan, and their implementation, are compatible and consistent with support under the CMOs. This will be achieved through contacts between the various SEERAD Divisions responsible for policy and implementation of the various schemes of agricultural support through the Common Agricultural Policy. The network of SEERAD local offices is also involved in the implementation of these schemes, and thus consistency and compatibility will be maintained at both national and regional levels. As indicated earlier in the Plan, we are developing implementation and co-ordination arrangements in conjunction with the administrators of new Objective 2 Structural Funds Plans, and this should avoid the risks of overlap/duplication, particularly in respect of our proposed state-aided schemes for marketing and processing and diversification, and activities to be supported through the ERDF.

CHAPTER 16: ADDITIONAL STATE AIDS

16.1 Proposals for new, state-aided marketing and processing and business development/diversification schemes will be notified separately to the Commission under the terms of Article 88(3) of the Treaty. These schemes will comply with the relevant Articles of the Rural Development Regulation, and with the Commission's guidelines on state aids to the agriculture sector.

16.2 State aid 'top ups' are made available to support the co-financed measures. These are indicated in the Plan financial tables. The Woodland Grant Scheme was notified to the Commission on 22 March 1988 and cleared by the Commission on 24 May 1988. Subsequent modifications were cleared as State aids No. N428/A/94 (Commission letter SG(94) D/15234 of 27 October 1994), No. N319/96 (Commission letter SG(96) D/6022 of 1 July 1996), No. N843/96 (Commission letter SG(97) D/437 of 22 January 1997 and No. N322/98 (Commission letter SG(98) D/7072 of 14 August 1998) and enlarged the scope of the scheme to forest management measures. No changes are proposed at this time.

16.3 Beneficiaries of FWPS, who do not qualify under the definition of a farmer are likely to receive payments in excess of the ceilings set out in annex to Regulation 1257/99 (except those towards unimproved grassland in the LFA). These additional payments will be made under State Aid (previously notified and approved under Aid No. 239/88, Aid No 81/92 and Aid No 24/97), as part of the UK's programme of measures relating to the afforestation of agricultural land.

16.4 Expenditure on State Aids in respect of this plan as well as ongoing commitments under FWS/FWPS from the previous period, and in respect of FWPS approvals under this Plan is set out in the financial tables.

16.5 We wish to use the mechanism of this Plan to notify the matching funding from the Scottish Executive, the 'top ups' and the 'stand alone' aids, included in the financial tables, as state aids.

CHAPTER 17: SUMMARY OF EX-ANTE EVALUATION

17.1 The ex-ante appraisal of the Scottish Rural Development Plan was undertaken by independent consultants, Euro Access.

17.2 Evaluation activity included attendance at meetings of the Plan Team (membership listed in the preface to the Plan), a survey of Plan Team members, working meetings with SEERAD officials, and reviewing correspondence, background papers, various versions of the Plan, and the production of interim and final reports.

17.3 The evaluation highlights the serious time factors which bedevilled the production of the Plan, and the inevitable knock-on effects in terms of deadlines for comments, provision of text, and time available for debate within the Plan Team. SEERAD had the lead role in drafting the Plan, and time constraints were caused, primarily, by a considerable increase in SEERAD's workload flowing from the establishment of the Scottish Parliament, and a much greater allocation of time than had been anticipated for SEERAD's role in co-ordinating the preparation of EAGGF measures for inclusion in the Structural Funds Plan for the Highlands and Islands of Scotland.

17.4 The ex-ante report also states that the contents of the Plan changed significantly from the first version, which included a range of proposals, in addition to the "core" accompanying measures for LFA support, agri-environment and forestry. These proposals included marketing and processing of agricultural products, diversification, public access activities, and some outline proposals for other Article 33 items.

17.5 The evaluators record the disappointment felt by some members of the Plan Team that these proposals have been dropped from later versions of the Plan. The evaluators conclude that the Plan, based around the 3 accompanying measures is meagre in its scope, compared to the wider rural development objectives in the Regulation, and the wide range of activities eligible for support. They suggest that the Plan will do little to address the problems facing Scotland's agricultural sector, and that it will achieve little in the way of diminishing dependence on direct subsidies.

17.6 While accepting the evaluators' comments on time constraints, several of the other findings have been contested by SEERAD. For example, the serious shortage of EAGGF Guarantee Funds allocated to the UK, exacerbated by the weakness of the euro against sterling, has been highlighted by SEERAD as a significant problem from the outset of the Plan process. These resources are insufficient to meet the forecast EU receipts element of Ministers' published financial commitments for the 3 accompanying measures. Thus, the scarce EAGGF funds had to be allocated to the accompanying measures, and it was evident that there would not be sufficient resources for EU co-finance for non-accompanying measures, including Article 33 activities. Reducing funding for the accompanying measures was not regarded by SEERAD, and other members of the Plan Team as either desirable or feasible given the serious economic situation facing Scotland's farming sector. For example, 85% of Scotland's land area is classified as less-favoured. Reducing support for farmers in these areas, in order to support Article 33 activity, could well have resulted in many producers going out of business.

17.7 SEERAD also felt that the evaluators had not given sufficient weight to the fact that many of Scotland's rural communities remain heavily dependent on agriculture. Thus,

agriculture cannot be separated from wider rural development. For example, if the fortunes of the agricultural sector continue to deteriorate, there will be serious knock-on impacts on the economic, social and environmental well-being of these communities. In terms of sustaining the financial bedrock of these communities, SEERAD believes that focussing resources on the accompanying measures is more likely to yield benefits, compared to eg village renewal projects.

17.8 Primarily as a consequence of the EAGGF funding position, the non-accompanying measures were, indeed, dropped from the Plan. This decision also reflects Commission advice. Logically, the Commission do not wish to see measures in the Rural Development Plan which are not receiving EAGGF co-finance. More positively, SEERAD has made clear its commitment, from the outset, to support marketing and processing and farm diversification schemes. We agree with both the evaluators and the Plan Team that supporting these activities will help to add value to Scottish primary produce, and to improve returns to producers. We also agree that it is vital to help farmers and their families to find alternative sources of income, for example, using their land, buildings and skills. There is no question of SEERAD backtracking on these commitments, or that we are expecting scarce Objective 2 resources to be devoted to funding such activities. State aid notifications for the new SEERAD-supported schemes for marketing and processing and diversification are already being processed. Resources for these schemes should be boosted by additional funds from the UK Government in the light of an agreement reached on the funding of modulation. In line with Regulation 1259/99, however, no modulated EAGGF resources will be allocated to any non-accompanying measures.

17.9 We see no value in creating new delivery arrangements, for example via Structural Funds Programme Management Executives, for administering the accompanying measures in Scotland. There are well-established regional structures already in place ie `the local SEERAD and Forestry Commission offices, which are familiar to farmers, foresters, etc. However, we agree with the evaluators that a regionalised “partnership” approach to delivering the new, state-aided marketing and processing and diversification schemes is highly desirable, and arrangements are already being put in place in liaison with national and regional bodies, to fulfil this objective.