

19 November 2014

READINESS FOR COMMON AGRICULTURAL POLICY (CAP) 2014-20**Purpose**

1. To update the Committee on Forest Services' (FS) readiness for CAP 2014-20 and contingency planning to mitigate risks of a hiatus in CAP service for forestry customers.
2. For the Committee to note that FS's confidence level on readiness for:
 - a. its Preliminary Grant Offer (PGO) is high,
 - b. Countryside Stewardship (CS) is medium,
 - c. CAP IS is low and for which contingencies are therefore being initiated.

Background

With CAP 2014-15, new policy and grant scheme rules have been devised for a new Rural Development Programme (RDP) comprising a single grant scheme supporting environmental outcomes plus others supporting rural economic growth.

In addition, a new IT system, CAP IS, is being developed which will support both Pillar 1 farming payments and Pillar 2 environmental grants.

Organisational changes are also being made on a similar timeframe. Defra's EU Payments Programme (EUP) is bringing together into Rural Payments Agency (RPA) all transactional/admin processing for CAP.

Discussion**Readiness for Preliminary Grant Offer***Policy*

Countryside Stewardship (CS – which had the earlier working title of NELMS) is an integrated scheme, replacing:

- Environmental Stewardship (ES)
- the English Woodland Grant Scheme (EWGS) and
- capital grants from the Catchment Sensitive Farming (CSF) programme.

CS will open for general applications in July 2015. In order to provide continuity of support for priority areas of woodland policy, certain capital grants will be made available in late January 2015 to:

- plant health
- woodland management planning and

- woodland creation (and associated 10-year maintenance support where applicable).

These preliminary grants will be offered within the same application 'windows' proposed for CS in later years, for which see [Annex A](#).

A key dependency is the approval of the Rural Development Programme document by the European Commission by the end of December 2014. If this is delayed then Ministers may decide to delay opening some or all forestry capital grants, or to decide to open them in January but 'at risk'. For the more likely latter situation additional provisions to address EU 'state aids' will be required which we are preparing now. It is important that we open in January because we have already had to close for applications to the current programme (to ensure approvals by end of December). Any delay to the resumption of grants is likely to stall delivery, put some business at risk and so draw further stakeholder criticism of the hiatus.

Resources

FS's Area Delivery team and Admin hub resources are expected to be adequate to maintain the existing work associated with EWGS and the new work associated with CS, overall volumes being consistent with a largely steady grant budget. The transition to the preliminary grant offer will produce additional pressures, such as training of staff, which we expect can be absorbed within existing resource.

For FS National Office resource leading the implementation of this Preliminary Grant Offer, these timings will be extremely pressured with little or no contingency. A significant dependency is the need to maintain continuity of staff, which is already at risk, for example the lead Pay Band 3 on negotiations with NE on CS has just been appointed as Area Director to the Southwest.

IT

The Preliminary Grant Offer will be made available to customers in advance of the necessary capability of CAP IS being available, so provision has been made to support these preliminary grants on the FC's existing GLOS IT system. Applications will be paper-based (using forms available on-line). The grant will be delivered by FS Area Delivery teams working with FS Admin Hubs. Briefing of FS staff will take place in December with formal training in early January.

Communications

Guidance on the forestry 'options' in CS is being finalised with Natural England (NE) and the government's 'Smarter Guidance' initiative. There will be a specific manual for the preliminary woodland grants. The option guides and manual are planned to be available on the pan-government website (gov.uk) in early January.

Communications with the sector is ongoing and will continue with the Applicants' Focus Group in November followed by publication of progressive CAP leaflet and FC 'E-alerts' (November and December). There will be further liaison with the sector in January through Area-based meetings.

Delivery Confidence

Overall FS confidence level on readiness for Preliminary Grant Offer is high.

Readiness for Countryside Stewardship

Policy

'Options' are the building blocks of a CS contract and will include capital items such as 'supply and plant tree' or 'deer fencing', and multi-annual items such as 'woodland creation maintenance payments' or 'woodland improvement'. CS has a single list of options, some of which are exclusive to woodlands and others that are shared with agri-environment and water. Options are brought together in (more meaningful) option groups. The option groups for forestry and the windows for submitting applications are presented in [Annex A](#).

Applications for woodland option groups other than for woodland planning and plant health will be subject to scoring.

Within the draft Rural Development Programme Document an annual budget of £31m has been allocated to forestry measures, which is broadly in line with recent activity. Of this budget 43% will support forest management and 57% will support woodland creation of approximately 2,000 ha a year. This expenditure will contribute to the Programme's objectives including biodiversity, water quality, flood risk management and climate change adaptation and mitigation.

Outstanding policy issues

There has been significant recent progress on developing CS but some outstanding issues remain to be resolved/defined:

- Mixed estates – detailed arrangements on how FC and NE will work together on 'mixed estates', on which we continue to work closely with NE.
- CS contract structure – we have yet to be convinced that there is sufficient flexibility in the CS contract to allow woodland options to work at different starting years to agri-environment options on a mixed estate. This concern has been also highlighted by the FC's Applicants' Focus Group. We are working with Defra and NE to find a solution.
- Dual use – a decision is awaited on whether 'dual use', allowing Basic Payments Scheme and CS payments to be made to different bodies (usually tenant and landlord) on the same land parcel, will be allowed, in light of recently identified very significant challenges presented by implementing it in CAPIS. If not this is likely to present an additional hurdle to woodland creation.
- Eligibility of public land for multi-annual payments – the EU regulations do not support payment on state land. Our proposal, a change from the status quo, is that our application eligibility mirrors the EU regulations' eligibility and 100% exchequer money is not used on state land as this money could have greater impact when combined with EU funds. This will affect some significant landholders including the Crown Estate. Even under measures where the State would be an eligible beneficiary under the regulation it is proposed that this will not be the case in England to maintain consistency across state land and current policy. This is considered further in [Annex B](#).
- Smarter guidance – we (NE and FC) are currently working with the Government's Smarter Guidance initiative on guidance for the options and the scheme. We do not yet know whether customers' needs for detail can be reconciled with those for simplicity.

Resources

FC and NE are investing in our collective staff skill-set by developing a joint technical/Woodland Officer training programme for CS, covering both forestry options and agri-environment options. Our aim is that both organisations' staff are equipped to signpost a landholder to the right advice. The training will be delivered jointly.

After successful demonstration of skills in the field, advisers will be assessed and once the required standard is achieved, advisers will receive a 'Licence to Operate'. Training will begin late January 2015.

Transactional/Admin support of CS will take place in RPA. FS is dependent on successful transfer and training of RPA, FC and NE staff in the proposed York centre. Subject to implementation based approval and consultation, transfer is scheduled for June 2015, with training in June 2015 in readiness for opening for applications by July 2015.

FS National Office support of the transition to CS has been bolstered by temporary additional roles in PB3 and PB4. These are due to end March 2015 but may still be needed for part of next year, together with a PB3 to lead on the 'Licence to Operate' development and training.

IT

CS is scheduled to open in July 2015 for applications for multi-annual options. CAP IS is expected to be able to support such applications by this time. The first scheduled releases of functionality for the CAP IS system have been delayed and have had reduced capabilities. Current priority for CAP IS development is, quite rightly, functionality which is needed by January 2015 to support Pillar 1 Basic Payment Scheme payments. CAP IS capability to support CS applications is due to be released in July 2015.

CAP IS is a 'digital by default' IT service where customers are required to go through an identification verification process. To complete this process CAP IS is dependent on another government IT programme: Identity Assurance (IDA). IDA is currently not facilitating a high proportion of those registering to proceed through to verification.

Delivery Confidence

Overall FS confidence level on readiness for CS is medium for policy and resources and low for CAP IS.

Contingency Planning

FS have initiated an assessment of the cost and other resources it would need to invest in implementing a contingency plan for CAPIS using GLOS in-house IT capability to support applications for CS woodland options. Subject to funding and other resource constraints, FS may decide to invest at least enough to maintain this contingency plan as an option until it is assured that CAPIS will provide the required capabilities by July 2015.

Communications

The Defra-wide Strategic Comms group is coordinating and preparing messages to CAP customers and staff to ensure consistency. FC is represented on that group by Head of Communications, Mark Funnell who reports there is a risk that the woodland/forestry offer is overshadowed by the bigger grant schemes and by non forestry elements of CS in particular. FC communication plan rightly states, we can mitigate this by tailoring our communications to our specific audience and customer needs to complement the wider RDPE Defra led communications.

Risk Assessment

Currently the highest risk to readiness for CS is CAP IS capability being insufficient and / or delayed.

By way of contingency for CAP IS, FS is intending to develop (in parallel) the necessary capabilities in its existing GLOS system until such time as it becomes certain that CAP IS will be able to support applications. This, combined with the Preliminary Grant Offer, will ensure there is no break in grant offer for forestry customers beyond that already planned.

Development of the GLOS system to support CS applications will cost an estimated £192,000 and take approximately 6 months.

Equality Impact Assessment

An EqIA has been prepared for the 'Reshaping FS' consultation, which is informed by the impact of EUP on FS. An EqIA is being prepared at Programme level by CAP Delivery Programme. It is not known if and EqIA has been prepared for CAP Policy.

Communications

Communications to staff and customers on CAP are coordinated by Defra's Strategic Comms Group.

Recommendations

The Committee are invited to note Forest Services confidence of readiness to serve its customers for CAP 2014-20 and endorse FS's approach to mitigating the risks of a hiatus in CAP service for forestry customers.

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ANNEX A

Woodland Option Groups, application windows and options for Countryside Stewardship

Option Group	Application Window	EC Measure Code	CS options exclusive to this measure	CS options that are required for this measure	Other CS options that could be used for this measure	
Woodland Creation	Spring (February, March, April)	8.1	WD1 - Woodland Creation - Maintenance Payments	TE4 - Supply and Plant Tree	TE5 Tree Planting - Tube Supplement FG9 - Deer Fencing FG1 - Stock Fencing FG2 - Sheep Netting FG4 - Rabbit Fencing Supplement	FG5 - Difficult Site Fencing Supplement FG12 - Wooden Field Gate FG14 - Badger Gate FG15 - Water Gate
Woodland Improvement capital	Summer (July, August, September)	8.5	FG10 - Temporary Deer Fencing (may be available for Agri-env as well?)	N/A	AC1 - Access Capital Items FG9 - Deer Fencing FG1 - Stock Fencing FG2 - Sheep Netting FG4 - Rabbit Fencing Supplement FG5 - Difficult Site Fencing Supplement FG12 - Wooden Field Gate FG14 - Badger Gate FG15 - Water Gate FG11 - Deer Enclosure Plot FY1 - Deer High Seat SB4 - Chemical Bracken Control	SB5 - Mechanical Bracken Control SB6 - Rhodo Control (Small) SB7 - Rhodo Control (Medium) SB8 - Rhodo Control (Large) SB1 - Scrub Control SB2 - Scrub Control (difficult site) RP3 - Watercourse Crossing RP5 - Cross Drains RP6 - Piped Culvert RP12 - Check Dams WN5 - Pond Management WN8 - Timber Sluice WB1 - Small Wildlife Box WB2 - Medium Wildlife Box WB3 - Large Wildlife Box
Woodland Improvement multi-annual		15.1	WD2 - WI MA	WD2 - WI MA	N/A	
Woodland Improvement Infrastructure		4.3	FY2 - Woodland Infrastructure	FY2 - Woodland Infrastructure	N/A	
Woodland Improvement Plant health	Rolling (year round)	8.3	SB9 - Plant Health Supplement	N/A	SB6 - Rhodo Control (Small) SB7 - Rhodo Control (Medium)	SB8 - Rhodo Control (Large) SB1 - Scrub Control SB2 - Scrub Control (difficult site)
Woodland Restoration Plant Health		8.4	N/A	N/A	TE4 - Supply and Plant Tree	TE5 Tree Planting - Tube Supplement FG9 - Deer Fencing
Woodland Planning		8.3	PA3 - Woodland Management Plan	PA3 - WMP	N/A	

Eligibility for support under RDP Forestry Measures

The Rural Development Regulation refers to eligibility under forestry measures in terms of ownership and ‘holder¹’ of forest land at the measure and sub-measure level. Three types of ownership are identified: state, municipality (these two together are further categorised as public authorities) and private body. Forest-holders can be municipalities, public, private and associations of any of these three categories.

Legal advice has been obtained on these categories as they apply in England:

- The State includes the Crown estate (land owned by them for the duration of their reign but not their private property) and government or any government department.
- A municipality is deemed to include local authorities at county, district or unitary level (but not parish). This would include National Park Authorities.
- Private is anything other than the two above categories.

Eligibility is determined by forest-holder with the exception of maintenance payments associated with woodland creation (Measure 8.1) where ownership is the determining criterion.

Measure	Forest-holder		
	State	Municipality	Private
8.1 Afforestation – Establishment costs	N	Y	Y
8.1 Afforestation – Maintenance costs ²	N	N	Y
8.2 Establishment of agro-forestry systems ³	N	Y	Y
8.3 Prevention damage	Y	Y	Y
8.4 Forest restoration	Y	Y	Y
8.5 Improving resilience and environmental value	Y	Y	Y
15 Forest-environmental and climate services	N	Y	Y
15 Conservation of forest genetic resources ⁴	Y	Y	Y

We will also be using Measure 4.3 for the construction and upgrade of forest roads. The regulation does not specify or limit beneficiaries and the guidance fiche makes it clear that this is intentional.

¹ The holder of the forestry holding is the natural person, group of natural persons or the legal person on whose account and in whose name the holding is operated and who is legally and economically responsible for the holding, i.e. who takes the economic risks of the holding. The forest holder can own the holding outright or rent it or be a hereditary long term leaseholder or a usufructuary or a trustee. All partners on a group holding who take part in the forestry work on the holding are considered to be holders. The legal and economic responsibility is defined according to Member States' documented own rules. The holder may have delegated all or part of his/her power of decision of the normal daily financial and production routines of running of the holding to a manager. In the case of shared forest holding the shareholder is shown as holder and not the owner of the forest. (Guidance fiche Measures 8 & 15)

² Eligibility is determined by ownership so any land owned by public authorities is ineligible even if the afforestation is undertaken by private forest-holders.

³ Not being used in England

⁴ Not being used in England

Based on the regulatory limitations the proposals included within the RDPE, and therefore eligibility criteria for Countryside Stewardship, will also be determined in terms of forest-holder rather than land ownership (again with the exception of woodland Creation – Maintenance Payments). Even where the State would be an eligible beneficiary under the regulation it is proposed that this will not be the case in England to maintain consistency across state land and with existing policy.

Eligibility criteria are:

Option group	Measure code/s	Forest-holder	
		Local Authority	Private
Woodland Creation – Establishment costs	8.1	Y	Y
Woodland Creation – Maintenance payments ⁵	8.1	N	Y
Woodland Restoration Plant Health	8.4	Y	Y
Woodland Improvement Plant Health	8.3	Y	Y
Woodland Improvement Capital	8.5	Y	Y
Woodland Improvement Multi-annual	15	Y	Y
Woodland Improvement Infrastructure	4.3	N	Y
Woodland Planning	8.5	Y	Y

⁵ Eligibility relates to land ownership rather than land-holder