

Committee(s)	Dated:
Epping Forest and Commons	11/05/2015
Subject: Application for Basic Payment Scheme Funding	Public
Report of: Superintendent of Epping Forest SEF 28/15	For Decision

Summary

Since 2005 direct grant payments from the European Union (EU) for the area of agricultural land under management, including grasslands available for grazing or fodder, have been made through the Single Payment Scheme (SPS) administered by the Rural Payments Agency. These area payments have been applied for and successfully claimed annually since 2005 for the eligible land within Burnham Beeches & Stoke Common, City Commons, and Epping Forest and its Buffer Land Estate.

Following an extensive review by the EU and the agriculture ministers of its Member states over the last two years the SPS has been replaced by the Basic Payment Scheme (BPS). The eligibility criteria and the cross-compliance rules, which ensure good environmental management, remain very similar to those of the SPS. The payment rate, however, is likely to be around 10% lower, although the exact reduction depends on the size of the total UK claim and remains to be determined. The income from SPS in 2014 was £211,000, representing a significant contribution to the land management costs for the Open Spaces Divisions named above. The BPS income for 2015 is likely to be in the range £190,000-210,000 should the proposed application be approved.

The RPA has modified how the applications are made for BPS compared to SPS. As a result it would be operationally appropriate for the Superintendents for these Open Spaces divisions to be able to submit the applications *in lieu* of the Director.

Recommendation(s)

Members are asked to approve:

- (an) application(s) for grant under the new Basic Payment Scheme (BPS);
- the sale of any excess SPS entitlements no longer valid under BPS, the income (between £1,000 - £4,000) from which would go towards grazing and grassland management;
- the delegation of the powers of authorisation from the Director to the Superintendents of the relevant Divisions to submit the claim applications.

Main Report

Background

1. For many decades, funding from the European Union (EU) has been provided to support farmers' incomes by way of a subsidy system under the Common Agricultural Policy (CAP). On 26th June 2003 EU farm ministers adopted a fundamental reform to the CAP and introduced the Single Payment Scheme (SPS). The new scheme was aimed at changing the way in which the EU supported the farming sector by removing the link between subsidies and the types and levels of production, a so-called "decoupling".
2. Instead, future claims for support would be made on the basis of the area of eligible agricultural land, including arable land and grasslands, grazed or mown. The grasslands encompassed common grazing lands, as at Burnham Beeches, Stoke Common and Ashted Common, or lands over which commoners' grazing rights existed, as at Epping Forest.
3. The SPS was also intended to ensure more environmentally-friendly farming was encouraged and rewarded. Farmers were required to "cross-comply", adhering to rules about pesticides, fertilisers, animal welfare and soil protection. This shift away from crops produced and livestock owned, and the emphasis on environmentally-friendly farming, provided an opportunity for three Open Spaces areas, Burnham Beeches & Stoke Common, City Commons and Epping Forest to make claims under the new grant to support land management.
4. The UK Government introduced the new scheme in 2005. The new payments were phased in reflecting historic support for cropping and livestock numbers, thus allowing previously subsidised farmers time to adjust. As a result, for new claimants like the Open Spaces Divisions, the grant income rose steadily over the period 2005 – 2012 because historic payments declined as a proportion of the grant and shifted to new hectareage payments.
5. Annual income from this scheme has not been based on a fixed payment sum. Claimants were issued with entitlements in 2005 based on the number of hectares of eligible land. The value of the entitlements changed each year and was based on the total UK claim of entitlements, as well as the Euro: Sterling exchange rate on the 30th September in any one claim year. Therefore, the amount of grant received changed from year to year.
6. As part of the Scheme, inspections are carried out by government agencies, including the Rural Payments Agency (RPA), which checks on the acreage and condition of eligible land being claimed and ensures the rules of cross-compliance are being followed. All three Open Spaces divisions have been inspected by the RPA. At all three sites the RPA made changes to the mapping information and clarified the eligibility of some areas.

Current Position

7. In 2012 a review of the CAP by the EU was started. As part of the reform of the CAP, changes have been made to the direct payment schemes (agricultural subsidies) for all EU countries. As a result, from 2015, the SPS has been replaced by the Basic Payment Scheme (BPS), which started on 1st January 2015. The first claims that can be made under this scheme will be in June 2015.
8. The new BPS is largely similar to the previous SPS which it replaces. There have been changes to the rules around the eligibility of land and the types of businesses and organisations that can apply. Cross compliance rules have also been modified, consolidated and clarified (see 'Legal Implications' paragraphs below).
9. The RPA is the government agency administering this scheme. The RPA handbook for the 2015 scheme year states that applicants can apply if their businesses are separate entities. To date Burnham Beeches and Stoke Common, City Commons and Epping Forest have applied for SPS under separate RPA business numbers. The Superintendents of Burnham Beeches & City Commons and Epping Forest met with land agents Whirledge & Nott in January 2015 to seek advice on their applications. It was decided that the Open Spaces would be viewed as one 'business' by the RPA and, therefore, we should merge the business details held by the RPA.
10. The RPA has created a new website for online BPS applications. However, this has been beset with IT problems and the agency is reverting to paper applications for the 2015 claim year. The RPA are currently working under emergency measures to help farmers submit BPS claims. It was considered that submitting a request to merge our business details at this time would jeopardise the correct processing of our claims (the RPA have made data entry errors before when making changes to our business details). Therefore, the intention is to apply to merge after June 2015 when all claims have been submitted. Therefore, for 2015 only, the Divisions will continue to claim as three separate entities.
11. The RPA's website further requires that each person acting on behalf of a site has to define their level of authority. From 2016, for the submission of the BPS applications, staff will need to prepare applications online. Currently, only the Director has the appropriate level of financial responsibility to authorise a submission because of the claim value. It would be operationally appropriate for the Superintendents to have authority to submit these on-line applications.
12. The payment rate of BPS is expected to be lower than that for SPS. Strutt & Parker, which has acted as term land agents for the Epping Forest Conservators during the period of the SPS, advises that grant income should be expected to be reduced by the order of 10%.
13. Clarifications made by the RPA to the amount of eligible land, the Divisions' reviews of their eligible land and changes to the scheme rules have resulted in

Epping Forest holding more entitlements than it has eligible land. Surplus entitlements will be 'lost' in the 2015 scheme year by the RPA removing them.

Proposals

14. It is proposed that Burnham Beeches & Stoke Common, City Commons and Epping Forest submit an application for the BPS in this and future years.
15. It is proposed that the excess entitlements that Epping Forest holds are transferred to City Commons to make up a short-fall of entitlements at that site. After this transfer, any remainder would be sold and the income used for the same purposes of land management as the main grant. This is likely to be between 10 – 40 entitlements worth between £1,000-£4,000 in total depending on further land eligibility analysis and market rates for entitlements.
16. It is further proposed that the Director delegates powers to the Superintendents of Burnham Beeches & City Commons and Epping Forest to authorise the BPS applications on the proviso that copies of all the submitted claims are sent to the Director.

Corporate & Strategic Implications

17. **Together Strategy:** The proposal set out above meets the *City Together* vision of a "World Class City" addressing one of the 5 themes: "A World Class City which protects, promotes and enhances our environment".
18. Open Spaces Department Business Plan: – the recommendations of this report support the Plan's strategic aims to provide high quality accessible Open Spaces and supports the management plans for Burnham Beeches, Stoke Common, City Commons and Epping Forest.

Implications

19. **Financial:** Income for the three sites in 2014 from the SPS was £211,000 combined and was divided as follows: Epping Forest £94,000; City Commons £60,000; Burnham Beeches & Stoke Common £54,000. The BPS payment rates are expected to be about 10% lower than SPS at the time of writing, although the exact reduction awaits confirmation from the RPA depending, as it does, upon the size of the total UK claim to the EU. However, a revision of the area of land on which the claim can be made has resulted in City Commons and Epping Forest proposing to claim a greater hectareage than in 2014. At this stage, therefore, it is anticipated that the grant claimed would be in the range £190,000-210,000 but this will also be dependent on exchange rates (see below).
20. The BPS payment rate each year will be based on the Euro: Sterling exchange rate as it was for SPS. However, the average exchange rate across the whole of September, rather than the specific rate on the 30th September, will now be used.
21. In preparing for an application under this new Scheme, advice of specialist agricultural land agents at both Whirlledge & Nott and Strutt & Parker has been

sought to supplement the considerable in-house expertise that has been built up over the last 10 years of the SPS. They have advised on areas around our eligibility to apply for the BPS, the merging of the sites into one 'business' and other new scheme queries.

Legal: under the BPS, as under the SPS, the rules of cross-compliance need to be followed. These rules are in two parts. Firstly, there are 'Statutory Management Requirements' (known as 'SMRs') that cover directives that are largely already in force on public health, animal welfare, plant health and the environment. Secondly there are rules for keeping land in 'Good Agricultural and Environmental Condition' (known as 'GAECs').

There are few significant changes under the BPS, mostly consolidation and clarifications. The main change that affects Open Spaces divisions is due to a GAEC that covers the timing of the cutting of trees and woody vegetation. This would affect removal of trees, crown reduction, pollarding and other tree conservation works during the summer. With the support of Natural England, a derogation from this rule has been sought for these works.

22. **Property:** No implications other than the requirements of cross-compliance outlined in 'Legal' above.

Conclusions

23. Under a European Union (EU) review of the Common Agricultural Policy (CAP) changes have been made to the agri-environment grant schemes. Direct payments to agricultural land managers, which were made under the Single Payment Scheme (SPS), are to be made in future under a new scheme entitled the Basic Payment Scheme (BPS). The BPS is similar in many respects to the SPS it replaces and the payment rate, although likely to be reduced by around 10%, is still based on a per hectare rate and linked to rules of cross-compliance. These rules remain largely the same as under SPS and are there to ensure good husbandry of land and that standards of animal welfare, environmental protection and public health are met.
24. Following 10 years of SPS claims, it is recommended that an application is made this year for the BPS grant for eligible land within Burnham Beeches & Stoke Common, City Commons and Epping Forest and its Buffer Lands.
25. Furthermore, it is recommended that the Superintendents of these Open Spaces divisions be delegated powers of authorisation from the Director to submit the claim applications.

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Background Papers

Epping Forest Work Programme for 2005-06. Report to Epping Forest & Commons Committee of 7th March 2005

SEF 27/15 Buffer Lands: Annual Agricultural Holdings Review. Report to Epping Forest & Commons Committee for this 11th May 2015 meeting (see attached)

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