

5 Information on the Axes and Measures proposed for each Axis, and their description

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5.1 **AXIS 1: Improving the competitiveness of the agricultural and forestry sector**

5.1.1 **General Provisions for Axis 1 Interventions**

5.1.1.1 **Eligible Expenditure**

1. The Defra RDPE Delivery Team will deliver Axis 1 of the Programme with the exception of three activities that are delivered by Natural England and two activities under the English Woodland Grants Scheme by the Forestry Commission. Natural England are responsible for:

- the small amount of funding that will support the Energy Crops Scheme under Measure 125;
- a programme of contracted training and information, and small-scale capital grants in priority water catchments under Measures 111 and 121 and 125; and
- a programme of enhanced training and information actions, under Measure 111 delivered by third party trainers and facilitators, for beneficiaries of and potential applicants to the agri-environment scheme Environmental Stewardship.

2. The additional support made available through the European Economic Recovery Plan (EERP) was, in part, targeted towards the dairy sector and made available under relevant Axis 1 measures. The Regional Development Agencies were responsible for the delivery of this additional support.

3. The Defra RDPE Delivery Team approach to delivery will include the use of operators responsible for implementing operations on their behalf. These operators will be engaged in activities such as: promotion of opportunities under the Programme; facilitation and support for business planning; administrative checks on applications for support; project assessment and approval; claim processing and authorisation; monitoring and compliance; and, mentoring and aftercare for projects. Some of these operators may be eligible to receive support as beneficiaries of the Programme, where they conform to the eligibility requirements of specific measures.

4. In case of investments, eligible expenses shall be limited to:

- the construction, acquisition, including through leasing, or improvement of immovable property;
- the purchase or lease-purchase or hire-purchase of new machinery and equipment, including computer software, up to the market value of the asset. Other costs connected with the leasing contract, such as leaser's margin, interest refinancing costs, overheads and insurance charges shall not be eligible expenditure;
- general costs linked to expenditure referred to above such as architects', engineers' and consultation fees, feasibility studies, the acquisition of patent rights and licences;
- second-hand equipment may be regarded as eligible expenditure for micro, small and medium-sized enterprises¹.

5. For agricultural investments the purchase of agricultural production rights, animals, annual plants and their planting shall not be eligible for investment support. Simple replacement investments shall not be eligible for investment support.

Ongoing operations/contracts from the previous period

6. The financial commitments, detailed by measure, entered into under the previous programming period which will be financed from the Rural Development Programme for England 2007 – 2013 under this Axis are detailed in the Correlation table for measures provided for in Regulation (EC) No 1257/1999 and Regulation (EC) No 1698/2005, at Annex 1 to Chapter 5.

5.1.1.2 Use of Standard Costs and In kind Contributions

7. For measures with investments in kind, contributions of a public or private beneficiary, namely the provision of goods or services for which no cash payment supported by invoices or equivalent documents is made, may be eligible expenditure provided that the following conditions are fulfilled:

- the contributions consist of the provision of land or real estate, equipment or raw materials, research or professional work or unpaid voluntary work;
- their value can be independently assessed and verified;
- in the case of provision of land or real estate, the value shall be certified by an independent qualified expert or duly authorised official body;
- in the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rate of remuneration for equivalent work, where relevant on the basis of ex-ante established system of standard costing, provided that the control system provides reasonable assurance that the work has been carried out²;
- public expenditure co-financed by the EAFRD, contributing to an operation which includes in kind contributions, shall not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation.

5.1.1.3 Investment Appraisal

8. The investment appraisal follows the requirements from the Department for Business, Innovation and Skills in Appraisal, Delivery and Evaluation ([GRADE](#))³. GRADE is based on the requirements in the UK Treasury's [Green Book](#)⁴ and supplements that apply to all policy, programmes and projects. The guidance sets out a framework within which project development, appraisal, delivery and evaluation systems

¹ OJ L 124, 20.5.2003, p. 36.

² This does not include the applicants' own labour where this is a significant element of the cost

³ It replaced the DTI Single Programme Appraisal Guidance (SPAG) from April 2008.

⁴ *The Green Book - Appraisal and Evaluation in Central Government* HM Treasury 2003

are designed. The Defra RDPE Delivery Team approach adheres to the following principles:

- the system must be universally applied, rigorous, decision orientated, open and transparent and subject to continuous improvement;
- all projects are appraised before any expenditure is committed. The appraisal must include justification that a) there is a clearly identified need for intervention and b) that any proposed intervention is cost effective and adds value

9. The assessment extends from appraisal prior to making an investment decision through delivery to evaluation on completion of the project. A primary consideration of the appraisal processes is appraisal of the rationale for intervention in a specific project i.e. what market failure(s) or equity objective(s) the project addresses to justify why the Defra RDPE Delivery Team needs to intervene to achieve the project objectives.

10. In order to secure support, individual projects will also have to demonstrate how the project contributes to Defra's objectives and set output targets to be achieved by the project.

11. Good appraisal practice is fundamental to ensuring that the best value for money is obtained from public expenditure. In assessing the extent to which support will contribute towards improving the overall performance of the enterprise(s), the following criteria will be taken into account:

- clearly defined objectives reflecting identified structural and territorial needs;
- a demonstrable need for public support;
- evidence of solvency and a sound and satisfactory track record.

5.1.1.4 Targeting Investment

12. Targeting of activity under Axis 1 will be undertaken at a regional level, within the framework of national priorities. It will therefore vary between regions, reflecting identified regional priorities. It may include:

13. Geographical targeting, for example:

- on areas of economic underperformance;
- high levels of deprivation.

14. Sectoral targeting on certain types of activity, for example:

- bio-energy/renewable energy;
- food chains;
- livestock sectors experiencing particular challenges.

15. Thematic targeting - requiring projects to demonstrate characteristics such as:

- collaboration;
- innovation;
- knowledge and technology transfer;
- combinations of the above.

5.1.1.5 Axis 1 measures not used in the England Programme

16. The following measures available under Axis 1 of the Rural Development Regulation will not be implemented in England.

Measure	Explanation
112 Setting up young farmers	<p>In 2004, ADAS⁵ reported to Defra on entry to and exit from farming. In 2000, 5.2 percent of ‘agricultural’ holders were under 35 years old compared to 7.4 percent in 1990. Between 1999 and 2004, the entry rate was 2% of farming population and the exit rate 18%, mainly because of a decline in the total number of farmers and farm businesses. The report identified no evidence of major barriers to entry that justified policy intervention and no evidence of significant market failure in the processes of entry to and exit from farming. The research found that entry and exit decisions are rational and driven by strong market forces and personal motivations and that financial inducement to affect the rate of entry or exit would be expensive and ineffectual. Any use of financial incentives to facilitate entry to and exit from farming risks “deadweight” i.e. that many would enter farming in any case - the majority of those entering farming do so through the family farm. The most common reason given for the low rate of entry to farming was the expectation of relatively low incomes. This cannot be addressed through a start up grant as envisaged in the Rural Development Regulation but rather by developing a competitive, viable and sustainable farming sector. Defra is supporting the industry-led initiative ‘Fresh Start’ which encourages new entrants into farming whilst at the same time stimulating existing farmers to think how they will respond to CAP reform, such as expanding their business, diversifying or even retiring. Such choices create opportunities for new entrants.</p>
113 Early Retirement	
131 Adapting to Community Standards	<p>This measure would not add value in the England context, because farmers are expected to observe community standards as a condition of receiving direct payments under Pillar 1.</p>
132 and 133 Participation in food quality schemes	<p>Farmers who participate in food quality schemes generally do so either with a view to obtaining a price premium (in which case their participation is rewarded through the market) or because they need to do so in order to sell to a specific market (which is often the case with baseline assurance schemes). This is demonstrated by the fact that in England and the UK there is already a high level of membership of assurance schemes. Given this there would be relatively little public benefit (additionality) in adopting this measure in England.</p>
126 Restoring agricultural production	<p>In England, the principal risk to agricultural production potential from natural disasters is through flooding.</p> <p>Determining the exact nature of support required in the event of large-scale flooding is impracticable now. We would prefer to apply for an ‘emergency’ modification to the Programme to activate this measure if and when a catastrophe occurs and if it is considered that Programme funds are the best way of providing support to those affected. This will</p>

⁵ <http://statistics.defra.gov.uk/esg/reports/entryexit/finalreport.pdf>

	enable support offered to be closely matched to the needs arising from that particular disaster.
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Vocational training and information actions

Article	Article 20(a)(i) and 21 of Regulation (EC) No 1689/2005
Measure Code	111

5.1.1.6 Rationale for Intervention

17. This measure will be used in England to raise the overall level of skills in the farming, food⁶ and forestry sectors as a means of improving the competitiveness of these industries and the contribution they can make to a better environment and healthy and prosperous communities.

18. Evidence from the Mid-Term Evaluation of the 2000-06 England Rural Development Programme, and from a Learning, Skills and Knowledge Review carried out by Defra in 2003, indicated the importance of training, information facilitation and advice in establishing a competitive and sustainable farming sector. The Sustainable Farming and Food Strategy⁷ highlights the need to improve industry uptake of technology and entrepreneurial skills to achieve a more productive sector and improve environmental sustainability.

19. A recent mapping study of the forestry sector⁸ identified a skills deficit in the sector and training as a priority. An analysis of the skills needs⁹ identified a wide range of specific skills needs, including environmental standards, sustainability and uptake of new technologies. It also identified the need to widen career opportunities within the sector and enhance business development skills. The sector is dominated by micro-enterprises and self-employed contractors, and there is a complex network of inter-dependency. Providing a mechanism for transferring knowledge and enhancing the environmental skills of forest managers is central to improving the future environmental benefits of forestry.

20. The evolution and specialization of agriculture and forestry require an appropriate level of technical and economic training, including expertise in new information technologies, as well as adequate awareness of product quality, results of research and sustainable management of natural resources, including cross-compliance requirements and the application of production practices compatible with the maintenance and enhancement of the landscape and the protection of the environment.

21. Evidence from the Review of Progress of Environmental Stewardship¹⁰ (2008) carried out by Defra and Natural England indicated the need for enhanced training and information provision to farmers and other land managers to ensure greater uptake of Environmental Stewardship amongst a wider range of farming sectors and groups. Equally the Review identified that the provision of enhanced training and information should lead to the selection of more appropriate and locally targeted stewardship scheme options, and encourage good practice in option implementation through the availability of ongoing support, delivering improved environmental outcomes.

5.1.1.7 Objectives of the Measure

22. To broaden the scope of training, advice, information, facilitation and diffusion of knowledge activities to all adults dealing with agricultural, agri-environment, food and forestry matters. These activities cover issues under both agricultural and forestry

⁶ "food" throughout this document shall be taken to cover the food and drink sector.

⁷ <http://www.defra.gov.uk/farm/policy/sustain/index.htm>

⁸ Woodland and forestry sector in England Report by Jakko Poyry for England Forest Industries Partnership, July 2006. www.conforg.org.uk.

⁹ Action plan for the trees and timber industry, Lantra, 2004 www.lantra.co.uk

¹⁰ Review of Progress of Environmental Stewardship, Defra & Natural England 2008
<http://collections.europarchive.org/tna/20081027092120/http://defra.gov.uk/erdp/schemes/es/#2a>

systems to enhance the competitiveness, sustainability and delivery of environmental benefits of their enterprises and to ensure high environmental and quality standards.

5.1.1.8 Scope and actions

Eligible Beneficiaries

23. The measure will support both individual trainees and providers of training and information services. Funding of individual trainees will be targeted on the priorities identified below. Support for training providers will also be targeted on those priorities but the applicant will be required in addition to demonstrate a gap in existing provision.

24. In the agricultural and food sectors, trainees must be engaged in a business, organisation or social enterprise which is dependent on agriculture or utilises any agricultural products.

25. In the case of training for the forestry sector, trainees must be engaged in a business, organisation or social enterprise which is dependent on woodland or utilises any woodland or forest products.

26. Training and information providers must be running training courses and providing activities which are matched to the needs of the agricultural and forestry and woodland sectors. Support will only extend to the courses and resources taken up by qualifying trainees. Other formally constituted groups/organisations gathering farmers and foresters for training will also be eligible.

Eligible Activities

27. The development needs of the farming, food and forestry sectors vary across England, as indeed does training provision already provided by established providers from both within and outside the public sector. The type of training to be supported through the Programme will therefore vary, but will only be provided where a gap in provision exists. Any training or information which is deemed to be directly relevant to the needs of the sector concerned will be considered. This will be judged by reference to an appropriate assessment of the needs of the sector, and the market demand for the training or information evident in the sector. In broad terms, however, there is evidence that specific training is required for the agricultural and forestry sectors in the following areas, which will form the focus of support under the programme:

- management skills, including (though not limited to) those needed to run collaborative ventures effectively and to take forward new product development effectively;
- business skills, for land-based businesses including forestry businesses, including (though not limited to) those aimed at introducing innovation;
- practical and technical livestock, crop and non-food crop husbandry skills;
- ICT and the use of other new technology specific to agriculture/forestry;
- animal health and welfare;
- benchmarking;
- supply chain efficiency;
- climate change adaptation and mitigation;
- resource use, including waste reduction, waste management, water use (including diffuse water pollution), energy efficiency;
- bio-energy, information on production and utilisation, including training;
- environmental land management topics, including support for skills for participation in agri-environment schemes and environmentally sensitive methods of harvesting bioenergy and avoiding disturbance to protected species;
- training to support primary processing in the agricultural and forestry sectors.

28. Knowledge transfer is also an important element in achieving a more competitive and sustainable agricultural, food and forestry sector. In particular, increasing the ability to

disseminate knowledge and information about innovative techniques and products is central to the main thrust of support under Axis 1 of the programme: that is, to focus on projects which stimulate transferable outputs rather than long term structures. Also knowledge and information about environmental land management will reinforce the objectives of Axis 2 activities. It is expected, therefore, that this measure will cover a wider range of activities other than formal training course, including:

- seminars;
- business clubs;
- workshops and farm demonstrations;
- support and mentoring;
- technical and management information;
- support for knowledge and technology transfer networks.

29. Support provided shall not include:

- courses or training which form part of normal programmes or systems of agricultural and forestry education at secondary or higher levels;
- programmes or courses which last longer than 3 years;
- large-scale infrastructure for training purposes.

Eligible Costs

30. Eligible costs may include the following:

- trainers/facilitators;
- training needs assessments;
- training venues and refreshments;
- course materials and examination fees;
- course evaluation costs;
- project management costs for training organisers;
- events concerning knowledge transfer and the dissemination of research;
- small-scale capital costs.

31. Trainees can only be final beneficiaries of the service and cannot receive funds directly.

5.1.1.9 State Aids

32. No additional national aid will be used to support interventions under this measure.

5.1.1.10 Quantified targets for EU Common Indicators

Table 5-1

Type of indicator	Indicator	Targets
Output	Number of participants in training	165,000
	Number of training days received	319,000

Result	Number of participants that successfully ended a training activity related to agriculture and/or forestry	140,250 participants successfully complete the training or information activity. 132,000 participants have applied or expect to apply the acquired skills in practice
Impact	Labour productivity	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.

5.1.1.11 Additional Programme-Specific Indicators and Quantified Targets

Additional Output Indicators	Targets
Support contributing to competitiveness of the livestock sector (number of participants)	15,600
Support to livestock sector contributing to enhancing on-farm management of nutrients (number of participants)	47,000
Support contributing to animal health and welfare (number of participants)	19,000

5.1.2 Use of advisory services by farmers and forest holders

Article	Article 20 (a) (iv) and 24 of Regulation (EC) No 1698/2005.
Measure Code	114

5.1.2.1 Rationale for Intervention

33. Article 24 of the Regulation allows for support to be granted in order to help farmers and forest holders to meet costs arising from the use of advisory services for the improvement of the overall performance of their holding. However, in the case of farmers, it goes on to constrain the conditions under which the support is available: “As a minimum the advisory service to farmers shall cover:

- the statutory management requirements and the good agricultural and environmental conditions provided for in Articles 4 and 5 of and in Annexes III and IV to Regulation (EC) No 1782/2003;
- occupational safety standards based on Community legislation”.

34. In England, the requirements of Articles 4 and 5 of Annexes III and IV of Regulation (EC) No 1782/2003 are being funded separately, and not under the Rural Development Programme.

35. Cross Compliance advice, in line with the requirements of Articles 4 and 5, under the Farm Advisory System is delivered through an advice contract currently fulfilled by Momenta (part of the AEA Group) and from material and support from Defra and the Rural Payments Agency. Defra publishes Cross Compliance Information and guidance, including best practice advice. In addition, there is background information available on the internet, and further information and detailed guidance is available through the Whole Farm Approach (e-system). The RPA has a detailed website covering all Cross Compliance literature, supporting information and has a helpline dealing with Single Payment issues. Momenta has a wide range of cross compliance activities including workshops, farm walks, one-to-one advice, a helpline, a website, participation in a range of meetings, a newsletter and publication of articles in the farming press. This is funded by Defra and managed nationally, but delivered on a regional basis to ensure local needs are met. Evaluations of the service are excellent and the penetration in this sector is high. All farmers claiming the Single Payment receive detailed information and can access any service. This fully meets the requirement for a Farm Advisory System and no further measures are needed.

36. Advisory services for farmers will not therefore be supported under this measure, though as noted above, the vocational training and information services measure will be used extensively.

37. The measure will, however, be used for providing advisory services to woodland owners. A comprehensive assessment of the needs of woodland owners, and the wider sector carried out in 2003¹¹ showed that one of the most needed Government interventions was advice on management and for increased emphasis on advice, extension and training.

5.1.2.2 Objectives of the Measure

38. The objective of the measure is to improve the sustainable management of neglected woodlands.

¹¹ Sustaining England’s Woodlands, Forestry Commission (2003).

5.1.2.3 Scope and actions

39. Providing advice to forest holders and farmers whose holding includes woodland on the sustainable management of their woodland.

40. Advice would cover, as a minimum, compliance with legislation that is directly relevant to the woodland, including: Felling Licences, Environmental Impact Assessment, SSSI legislation, Habitats Regulations and other species protection legislation. It must also cover appropriate advice on the public safety issues associated with trees and precautions to avoid accidents during management operations.

41. The provision of advice may also be geographically targeted to those areas deemed to be of greatest public interest. Examples of such geographic targeting might include: woods near to centres of population, woods in designated landscapes (National Parks and AONBs) and protected sites (SACs/SPAs/SSSIs).

Eligible Beneficiaries

42. Support will be granted for the use of advisory services to farmers whose holding includes woodland and owners or occupiers of woodland or forest which meets the targeting/prioritising criteria.

Eligible Activities

43. Existing free advice services currently or historically provided by public bodies would not be eligible. However, new additional advisory services provided by these bodies could be eligible. Partnerships of public bodies are the most likely delivery body, but the actual advice may be provided by employees of that partnership or by contracting the services of private enterprises. Any individual providing the front line advice would be required to meet criteria to demonstrate that they had:

- a full understanding of the relevant legislative requirements and the measures needed to protect the public interest in the site;
- knowledge and experience appropriate to the nature of the woodland and the management objectives of the owner (e.g. Membership of the Institute of Chartered Foresters for advice on a larger productive woodland).

44. The Defra Delivery Team, in association with Forestry Commission and/or Natural England, will be responsible for targeting the advice and selecting the delivery bodies.

Eligible Costs

45. Cost of delivering eligible advice to eligible beneficiaries.

5.1.2.4 Aid Rates

46. Rate of support 50 - 80% of the costs of the advice, depending on local need and demand, up to a maximum of 1500 Euro per advisory service.

47. Where proposals address CAP Health-Check 'new challenges' (climate change, biodiversity, renewable energy, water management and dairy sector restructuring), the aid intensity rate under this measure will be increased by 10%, i.e. 60-90%, up to a maximum of 1500 Euro per advisory service.

5.1.2.5 State Aids

48. No additional national aid will be used to support interventions under this measure.

5.1.2.6 Transitional arrangements and Ongoing Operations/Contracts

49. There is no activity currently funded under Council Regulation (EC) No 1257/1999 through the England Rural Development Programme 2000-2006 which is directly analogous to this measure.

5.1.2.7 Quantified targets for EU Common Indicators

Table 5-2

Type of indicator	Indicator	Target
Output	Number of forest holders supported	1,900
Result	Increase in gross value added in supported holdings	Forestry enterprises supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other forestry enterprises in England.
Impact	Labour productivity	Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.

5.1.2.8 Additional Programme-Specific Indicators and Quantified Targets

50. No additional indicators are currently proposed for this measure.

5.1.3 Setting up of farm management, farm relief and farm advisory services, as well as of forestry advisory services

Article	Articles 20(a)(v) and 25 of Regulation (EC) No 1698/2005.
Measure Code	115

5.1.3.1 Rationale for Intervention

51. Collaborative farm management ventures, such as buying groups and labour and machinery rings, allow farm businesses to operate more efficiently through the sharing of labour and machinery, and through purchasing inputs and raw materials more efficiently. Tailored farm advisory services that address gaps in existing advisory provisions can help with adaptation and improve overall farm performance.

52. The existing provision of low cost but high quality forestry advice is not evenly distributed across the country. Projects such as Silvanus have demonstrated how advisory services can be established and become self sustaining in areas where it was recognised there was a shortfall in advisory provision. These have been done without serious adverse impact on existing advisers operating in the area. Forestry advisory services enable the development and marketing of forestry added-value products, new products and new market development.

5.1.3.2 Objectives of the Measure

53. The objective of this measure is to help farmers and forest holders to adapt to changing circumstances (including market changes, environmental changes and regulatory changes), to improve and facilitate management, and to improve overall performance by further enhancing human potential.

5.1.3.3 Scope and actions

Eligible Beneficiaries

54. Organisations, holdings or individuals setting up farm management, farm relief and farm advisory services, as well as forestry advisory services. New services (which may include a new service to be delivered by an existing service provider), will only be eligible for support under this measure if there is a demonstrated deficit in the provision of appropriate advice in that area. For forestry advisory services, this must be based on an assessment of the existing advisory services, and an evaluation of whether this is matched to the nature of the woodland resource and the needs of the owners. The impact of a new service on the existing advisory services must be assessed and taken into account when deciding on which new services are supported. Support for new services will not be given in areas where they will undermine the viability of existing advice providers who are providing a satisfactory service.

Eligible Activities

55. Support for farm management and advisory services will be used to establish, and where appropriate expand, joint management services (covering issues such as business planning and joint venture operational planning) and advisory services (such as machinery rings). A variety of actions will be used to achieve this, including (though not restricted to) facilitation, group workshops, syndicate establishment and group mentoring.

56. For forestry, the aim will be to increase the number, range and quality of advisory services available at an affordable level to forest holders and remedy gaps in provision of advisory services.

57. Support for setting up new forestry advisory services will provide advice to farmers who have woodland in their holdings and forest holders on sustainable management of

their forests. The advisory service to be provided must be carefully matched to the needs of the forest holders and the nature of the woodland in the area covered.

58. Type of services to be covered:

- statutory requirements;
- advisory and management services active in the development and marketing of value-added products;
- developing collaborative activity and new product and new market development;
- growing, harvesting, processing and end-use of renewable energy crops.

Eligible Costs

59. Costs associated with the establishment of the new advisory or management service including: cooperation, legal fees, accountancy costs, office equipment, assessing existing service provision (i.e. supply), needs of owners (i.e. market), establishing and registering a new body, staff recruitment costs, salaries, NIC, pensions and travel costs, purchase of IT equipment and software, marketing and promotion of the service, and quality assurance/customer satisfaction. Capital items, including vehicles and premises, are not eligible.

5.1.3.4 Aid Rates

60. 75% in the first year, 50% in the second year and 25% in the third year. No support beyond that.

5.1.3.5 State Aids

61. Payments to the agriculture sector under this measure will be made within the framework of Article 4 of Commission Regulation 1857/2006 (Aid to small and medium sized enterprises active in the production of agricultural products. For forestry, the Community guidelines for state aid in the agriculture and forestry sector 2007 to 2013 (2006/C 319/01) VIIC (para 179) will apply. No additional national aid will be used to support interventions under this measure.

5.1.3.6 Quantified targets for EU Common Indicators

Table 5-3

Type of indicator	Indicator	Target
30	Number of newly set up management, relief or advisory services	
Result	Increase in gross value added in supported holdings	Farm/ food/ forestry enterprises supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other farm/food/ forestry enterprises in England.
Impact	Labour productivity	Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.

5.1.3.7 Additional Programme-Specific Indicators and Quantified Targets

62. No additional indicators are currently proposed for this measure

5.1.4 Modernisation of agricultural holdings

Article	Articles 20(b)(i) and 26 of Regulation (EC) No 1698/2005.
Measure Code	121

5.1.4.1 Rationale for Intervention

63. Total factor productivity in England's agricultural sector has increased in recent years, although evidence shows that England has gradually fallen further behind some of its key competitors. In addition, comparisons of the productivity performance of different farm businesses in England show that there is significant scope to improve performance.

64. Investment in realising human potential is an important aspect of increasing the performance of farm businesses, and this is a significant feature of the England Programme. However, sometimes capital physical investment projects can play an important role in improving the competitiveness of the agricultural sector, where such investments enable a sustainable improvement in the overall performance of the holding. Care must be taken to ensure that projects deliver additionality, and do not displace other similar business enterprises that are not supported by public funds. There is, therefore, a need to take a targeted approach, with the focus on providing a clear public benefit over and above that provided to the individual beneficiary.

There are a number of ways in which modernisation projects can improve the economic and environmental performance of farm holdings. For example, significant cost savings can arise from effective on farm nutrient management. Investments that improve the efficiency of production techniques, for instance through the production and use of on-farm energy using anaerobic digestion, that enable the farm business to take advantage of opportunities offered by new technology, new products and markets, also have an important role to play. Agricultural businesses can improve their economic performance by diversifying into energy crops, which can also provide a range of environmental benefits. The rationale for intervention in Energy Crops is as follows.

Energy Crops

65. Perennial energy crops such as miscanthus and Short Rotation Coppice of native and naturalised species provide carbon savings, the value of which are not reflected in their market price. Initial costs of establishing such crops are very high, and the return is not immediate, but once established they can be harvested for up to 30 years – under the Energy Crops Scheme they must remain in the ground for at least five years. Without intervention, there is likely to be very little planting¹², thus missing an opportunity for climate change mitigation throughout a long period and denying farmers the option of diversifying into crops of the future which will provide a steady return over the years.

66. Detailed analysis has been carried out on the need for ongoing support for the establishment of perennial energy crops. The analysis concluded that there was a clear advantage for them in terms of climate change mitigation, compared with annual crops, which are used as feedstock for transport fuels, but that without any public support it was unlikely that private investment would take place at the required scale to encourage continuing demand. This is largely due to the high upfront costs of establishing perennial energy crops. The analysis also indicated that investment in energy crops was better value than forestry in terms of cost per tonne of carbon saved. Perennial energy crops can be targeted at areas where there is insufficient forestry material or other biomass available, or where woodland material would be difficult or costly to extract.

¹² Defra Business Case for Energy Crops 31/3/06

67. The Royal Commission on Environmental Pollution¹³ saw energy crops as a necessary addition to increase biomass resources for energy use, and the EU Biomass Action Plan¹⁴ highlighted the opportunities for expansion of the developing biomass heat market, for which energy crops could provide a locally sourced fuel supply. The Action Plan also predicts that 'second-generation' biofuels made from biomass will begin to be manufactured on a commercial scale after 2010. Perennial energy crops could become one of the feedstocks for this emerging technology within the timeframe of this Programme.

68. Wider society also benefits from the investment because of the carbon savings from substituting energy crops for fossil fuels. Subject to careful targeting, there is also the potential for increased biodiversity - especially when these crops replace conventional arable crops – partly as a result of the relatively low inputs needed for energy crops. Research on the biodiversity effects of miscanthus cultivation is ongoing, but research completed so far shows it can enhance biodiversity for a range of wildlife including certain reed-nesting birds, earthworms, spiders and mammals, compared with growing winter-sown cereals. It can provide cover for wildlife and an over-winter site for birds, small mammals and invertebrates. Research indicates that fields of harvested short rotation coppice willow contain arable and grassland birds in addition to scrub and woodland species, leading to a net conservation gain.

5.1.4.2 Objectives of the Measure

69. The objective of this measure is to improve the economic performance of holdings through better use of production factors, as well as improving the environmental, occupational safety, energy efficiency, hygiene and animal welfare status of the holding. The measure is restricted to production factors, which may include the introduction of new technologies and innovation, and on farm diversification, including non-food sectors and energy crops. Support for investments in infrastructure related to the development and adaptation of agriculture (for example, access to farm and forest land and water management) is not eligible under this measure but may be supported under measure 125.

5.1.4.3 Scope and actions

Eligible Beneficiaries

70. Farmers and other landowners (and groups of farmers and other landowners) are the primary beneficiaries of this measure.

Eligible Activities

71. This measure will be used in two ways in the England Programme. First, it will be used at the regional level to support activity aimed at modernising agricultural production, through projects such as:

- developing energy projects or on farm renewable energy technologies of a scale that meets the needs of the business and are economically sustainable (such as biogas and anaerobic digestion from raw material used for heating and power generation, installation of heating installations fuelled by wood products, installation of hydro or wind turbines for power generation);
- alternative agriculture (diversification into non-food markets e.g. raw material energy products, bio energy crops, niche and novel crops and livestock)¹⁵;

¹³ Special Report by Royal Commission on Environmental Pollution on Biomass as a Renewable Energy Source, May 2004.

¹⁴ Biomass Action Plan – Communication from the Commission COM (2005) 628 Final, 7/12/2005.

¹⁵ The purchase of agricultural production rights, animals, annual plants, and their planting shall not be eligible for investment support. Simple replacement investments shall not be eligible for investment support.

- improving crop storage in order to improve the quality of the product (for example, specialised storage and handling buildings, provision of ventilation, insulation and refrigeration);
- improving on farm nutrient management (capital investment in systems and management equipment to improve resource efficiency such as nutrient testing equipment and innovative manure application systems).

72. Secondly, this measure will be used specifically to encourage farmers to invest in perennial energy crops which can provide renewable energy sources and supply emerging markets for biomass such as for heating, for biomass power stations and co-firing of biomass within existing fossil fuel power stations, and possibly for second generation biofuels. This will be done through a nationally administered establishment grant: the Energy Crops Scheme, to be delivered by Natural England.

73. Applications for the national grant scheme will be considered in the light of indicative maps, which will show optimal siting for yield, statutory designations and landscape character areas. The proximity of markets for the crops will also be taken into account, as will other carbon impacts. Natural England will be working with DEFRA RDPE Delivery Team to co-ordinate the establishment of crops and the development of supply chains with local biomass markets, but individual on-farm use will also be encouraged where appropriate facilities are available. All applications will be subject to individual environmental assessment, which will take account of issues relating to the specific site. For Short Rotation Coppice, the Forestry Commission will be undertaking this assessment. The environmental assessment will consider how the proposed planting will fit into the landscape, its effect on local dwellings, impact on archaeology, impact on flora and fauna (biodiversity) the suitability of the soil, access for planting and harvesting of the crop, water and drainage issues and consideration of local footpaths. In addition, where a number of plantings are proposed close together, the cumulative impact will be taken into account. Each application to establish perennial energy crops will specifically consider Natura 2000 sites such as Special Protection Areas, Special Areas of Conservation and Ramsar sites. Permission for planting on these sites will not be granted and extreme caution and care will be exercised when considering applications for planting adjacent to these sites. These processes will ensure that there are no negative environmental impacts from planting. Miscanthus applications, which include permanent grassland or semi-natural areas, will be subject to the EIA (Agriculture) England Regulations. Short Rotation Coppice applications will be subject to Forestry EIA Regulations.

74. Beneficiaries are expected to keep the crop in the ground for at least five years as a condition of the establishment grant. However, once planted the crop can be harvested for up to 30 years, providing a long term source of income to the holding whilst at the same time supplying emerging renewable energy markets.

75. The Growers' Best Practice Guide offers advice on establishment and highlights potential problems. The fact that only one cultivation of the soil takes place on establishment limits soil disturbance, but care is needed if harvesting on very wet land to avoid soil degradation.

76. An additional sum of £1.38m of EAFRD funding has been made available under this measure as part of the European Economic Recovery Package. This will contribute to investments in which deliver animal welfare standards which go beyond the mandatory requirements, improve bio security and provide innovative management of farm wastes which will lead to improvements in efficiency and competitiveness of the dairy sector. Examples of activities that may be supported include; support for investment in new seed/slurry injection technology, equipment to improve the efficiency and effectiveness of milking parlours; improvements in fertility management; and improved flooring which could result in welfare benefits.

77. All applications for RDPE support undergo rigorous appraisal linked to the selection criteria used by the Defra RDPE Delivery Team in delivering Axis 1 and 3 of the RDPE. These selection criteria include consideration of whether the project generally has a positive impact on the environment, economic and/or social sustainability. The appraisal process also requires the project to demonstrate that where any adverse consequences are identified, that these are mitigated/managed.

Eligible Costs

78. For the regional activity aimed at the modernisation of agriculture more broadly, costs associated with architects', engineers' and consultants' fees, feasibility studies, costs of cooperation such as legal fees, accountancy costs, new build and conversions, equipment and machinery, and infrastructure (other than infrastructure related to the development and adaptation of agriculture supported under measure 125) may be eligible.

79. There are currently no plans to use the measure for investments made in order to comply with new Community standards.

80. For the national establishment grant for perennial energy crops, the following will be treated as eligible costs:

- the cost of the planting material;
- other direct costs, as appropriate, associated with establishing the crop including cultivations/site preparation, planting charge, herbicide sprays/weed control, and vermin fencing

5.1.4.4 Aid intensity

81. For the regional activity aimed at the modernisation of agriculture more broadly (i.e. all the activity outwith the Energy Crops Scheme) aid will be paid at a rate up to 40% of total eligible costs outside Less Favoured Areas (LFA), and up to 50% within LFAs. Where proposals address CAP Health-Check 'new challenges (climate change, biodiversity, renewable energy, water management and dairy sector restructuring), the maximum rate of aid intensity under this measure will be increased by 10% i.e. 50% outside Less Favoured Areas (LFA) and 60% in LFAs.

82. For the Energy Crops scheme, the aid intensity rate will be 50% in all areas.

5.1.4.5 State Aids

83. No additional national aid will be used to support interventions under this measure.

84. In relation to the national energy crops scheme the Pillar 1 European Energy Aid Payment is available for all energy crops except those grown on set-aside land. There is no national top-up payment. Interventions under this measure will be payments for the establishment of the perennial biomass crops miscanthus and Short Rotation Coppice of various native and naturalised species. The grant may be extended to support establishment of other perennial grasses for energy use later in the Programme, if research indicated this would be appropriate.

85. The national energy crops scheme will support the establishment of miscanthus and Short Rotation Coppice (at an aid intensity rate of 50%).

5.1.4.6 Quantified targets for EU Common Indicators

Table 5-4

Type of indicator	Indicator	Target
Output	<p>Number of farm holdings that received investment support (excluding energy crop support)</p> <p>Total volume of investment (€m) (including energy crop support)</p>	<p>900</p> <p>€213m</p>
Result	<p>Number of holdings introducing new products and/or techniques</p> <p>Increase in gross value added in supported holdings</p>	<p>95% [855] holdings or enterprises receiving support under this measure introduced a new product and/or technique</p> <p>Increase in gross value added in supported holdings</p>
Impact	<p>Economic growth</p> <p>Labour productivity</p>	<p>Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.</p> <p>Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.</p>

5.1.4.7 Additional Programme-Specific Indicators and Quantified Targets

Additional output Indicators	Targets
Support contributing to competitiveness of the livestock sector (number of farm holdings)	230
Support to livestock sector contributing to enhancing on-farm management of nutrients (number of farm holdings)	230
Support contributing to animal health and welfare (number of farm holdings)	170
Support for establishment of energy crops (hectares supported)	27,400
Support for establishment of energy crops (holdings supported)	750
Total volume of investment in energy crops (€m)	€78m
Additional result indicator	Target
For establishment of energy crops, area under successful land management contributing to climate change (hectares)	24,500ha
Additional impact indicator	Target
Increase in production of renewable energy through establishment of energy crops (tonnes of oil equivalent)	123,000 per year

5.1.5 Improving the economic value of forests

Article	Articles 20(b)(ii) and 27 of Regulation (EC) No 1698/2005
Measure Code	122

5.1.5.1 Rationale for Intervention

86. The volume of timber harvested is only 31% of the volume increment across England as a whole, so the stock of standing timber in England's woodlands is rising rapidly¹⁶. This is not economically or ecologically beneficial. Increases in standing volume (basal area) and consequential shading were identified as the variable most closely correlated with the 30-year decline in woodland ground flora abundance and diversity in the 'Bunce' plots¹⁷.

87. Declines in timber prices have seriously reduced net income from forest management, and this has been closely correlated with a decline in the area under active management. Average standing prices for softwood are now 33% of those 10 years ago in real terms¹⁸. There remains a paucity of markets for low and medium grade hardwoods, exacerbated by the closure of the remaining hardwood pulp mill in 2006, which means prices remain low. Low timber prices and lack of markets are a prime reason for owners not managing woodland and identified as a priority for Government intervention by a consensus of sectoral bodies¹⁹. Timber harvesting remains the most common means of enhancing the economic value of forests. Harvesting timber, especially non-native species, usually has an ecological as well as an economic value.

88. In most circumstances, actively managed woodland will provide environmental and social benefits more effectively than unmanaged woodland. Therefore, improving the economic value of forests (e.g. by enabling them to meet and stimulate demand for wood fuel and other value-added wood products) is in many cases a key to unlocking their non-market benefits.

89. Woodfuel is a major new market opportunity for both coniferous and broadleaved woodland. The recently produced England Woodfuel Strategy concludes that an additional 2 million cubic metres of woodfuel can be readily harvested from England's woodlands. This will mean overcoming obstacles to harvesting in managed woodland, but also bringing tens of thousands of hectares of 'neglected' woodland into active management.

90. Generating significant income from informal 'low impact' recreational use of woodland is difficult, as users do not expect to pay for such access. There are opportunities to generate more significant income from more formalised, restricted and active uses of woodland. However, such activities can be intensive and can have adverse environmental impacts if adequate safeguards are not taken. There are only limited means of legally constraining such 'non-silvicultural' activities and uses. Financial support via this measure enables such safeguards to be introduced.

5.1.5.2 Objectives of the Measure

91. The objective of this measure is to improve and broaden the economic value of private forests, increase diversification of production, and enhance market opportunities, whilst maintaining sustainable management by supporting investments in forest property

¹⁶ England Woodfuel strategy, 2007.

¹⁷ Kirby et al (2005), Long term ecological change in British woodland 1971 – 2000, Research Report 655, English Nature. www.english-nature.org.uk.

¹⁸ Sales from the Forestry Commission estate across Britain: Timber Price Indices, Forestry Commission Nov 2006, www.forestry.gov.uk/statistics

¹⁹ Sustaining England's Woodland, 2003, Forestry Commission

or machinery that will in turn help secure the public interest or enhance the provision of public benefits. The public interest and benefits which will indirectly be protected and enhanced may include:

- reducing carbon emissions through production of renewable energy;
- reversing decline or enhancing biodiversity;
- protecting or conserving cultural heritage;
- enhancing public access, facilities or recreational experience;
- improving the landscape;
- protecting water supplies and preventing or alleviating flooding;

92. Possible investments shall include all operations at the level of the forestry holding, including investments for harvesting equipment. Support for investments in infrastructure related to the development and adaptation of forestry (for example, access to forest land, land consolidation, energy supply and water management) is not eligible under this measure but may be supported under measure 125.

5.1.5.3 Scope and actions

Eligible Beneficiaries

93. The beneficiaries of this measure will be owners of private forests, including private owners or their associations or local authorities.

94. The following forest shall be excluded from support:

- forest or other wooded land owned by central or regional governments, or by government-owned corporations;
- forest and other wooded land owned by the Crown;
- forest owned by legal persons at least 50% of whose capital is held by one of the institutions referred in the two bullets above;
- regeneration after final felling.

Eligible Activities

95. Activities that will improve the economic value or potential of the forest, and protect the public interest or enhance public benefits including:

- in-forest activities up to and including harvesting (this could include thinning).
- the cost of producing the management plans where linked to investments under this article.

96. However, in order to qualify for support such investments will need to satisfy the following criteria:

- investments shall be based on a forest management plan appropriate to the size and use of the forest area;
- they will contribute to one or more of the objectives of relevant regional strategies or frameworks;
- they are suited to the particular needs and conditions of the locality;
- they are closely linked to the implementation of a management plan or other grant scheme contract which has been approved by the relevant authorities;
- they will deliver significant public benefits (for example; improving the ecological condition of the woodland, enhancing public access and understanding, conserving heritage and addressing climate change);
- all activities must comply with relevant Forestry Commission standards and recommended good practice to ensure environmental and other public benefits are secured.

97. A management plan prepared under Measure 227 (support for non-productive investments) can be used under this measure.

Eligible Costs

98. The following costs will be considered eligible:

- purchase or hire of specialist harvesting machinery;
- storage facilities and handling equipment;
- machinery and equipment which will improve woodland habitats;
- machinery and equipment for harvesting and in-forest processing of woodfuel;
- feasibility study for a woodland recreation enterprise;
- infrastructure for in-forest recreational enterprises.

5.1.5.4 Aid intensity

99. Aid will be paid at a rate up to 50% of total eligible costs outside Less Favoured Areas (LFA) and Natura 2000 areas, and up to 60% within LFAs and Natura 2000 areas. Where proposals address CAP Health-Check 'new challenges' the maximum rate of aid intensity under this measure will be increased by 10% **State Aids**

100. Interventions will be funded in accordance with the conditions for de minimis aid outlined in Commission Regulation 1998/2006. No additional national aid will be used to support interventions under this measure.

5.1.5.5 Transitional arrangements and Ongoing Operations/Contracts

101. As shown in Annex 1 to Chapter 5, there is no activity currently funded under Council Regulation (EC) No 1257/1999 through the England Rural Development Programme 2000-2006, which is directly analogous to this measure. A pilot Forestry Harvesting Marketing and Processing Grant scheme operated in two pilot areas of England during 2005-06.

5.1.5.6 Quantified targets for EU Common Indicators

Table 5-5

Type of indicator	Indicator	Target
Output	Number of forest holdings that received investment support Total volume of investment (€m)	200 €22m
Result	Number of holdings introducing new products and/or techniques Increase in gross value added in supported holdings	190 holdings or enterprises receiving support introduced a new product and/or technique. Forestry enterprises supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other forestry enterprises in England.

Impact	Economic growth Labour productivity	<p>Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.</p> <p>Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.</p>
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5.1.5.7 Additional Programme-Specific Indicators and Quantified Targets

102. No additional indicators are currently proposed for this measure.

5.1.6 Adding value to agricultural and forestry products

Article	Articles 20(b) (iii) and 28 of Regulation (EC) No 1698/2005.
Measure Code	123

5.1.6.1 Rationale for Intervention

103. As one of the five drivers of productivity, innovation is considered crucial to economic growth and long-term prosperity (DTI, 2006). However, the market sometimes fails to provide the assets required for innovation due to issues of scale and uncertainty. Many agricultural firms may have problems innovating because of their size²⁰. The agricultural and forestry sectors are largely populated by small firms isolated from the services and information sources available to other sectors. The market is not large enough to encourage the development of new technologies or consulting services to assist in improvements. Any existing consulting services are expensive, particularly for the small firms that constitute the agricultural and forestry sectors, and as a result, the sectors are unable, without intervention, to invest in the research necessary to achieve innovation. Similar market failures exist in the forestry sector, meaning that in the absence of support the sector is unable to take advantage of the opportunities that exist for substituting wood for less environmentally sustainable raw materials, particularly for energy production. Woodfuel represents a major new market opportunity, for low grade hard and softwood. However, it requires innovation in terms of harvesting equipment and techniques, processing, marketing, supply chains, and end user facilities.

5.1.6.2 Objectives of the Measure

104. The objective of the measure is to improve the processing and marketing of primary agricultural and forestry products through investment in improved efficiency, renewable energy, new technologies and new market opportunities, and to improve the overall performance of the enterprise.

105. Improvements in the processing and marketing of primary agricultural and forestry products should be encouraged by means of support for:

- investments aimed at improving efficiency in the processing and marketing sector;
- promoting the processing and marketing of agricultural and forestry production for renewable energy;
- introducing new technologies and innovation;
- opening new market opportunities for agricultural and forestry products, putting emphasis on quality;
- improving environmental protection, occupational safety, hygiene and animal welfare, as appropriate.

106. As a rule, the measure will be targeted on, micro, small and medium-sized enterprises and other enterprises under a certain size, which are better placed to add value to local products.

107. The measure will also be used to promote the development of new markets for forestry products that will in turn support management of woodland which will protect the public interest and enhance the public benefits it provides.

5.1.6.3 Scope and actions

108. Investments will be expected to lead to one or more of the following improvements to an enterprise:

²⁰ ADAS/University of Reading, 2003

- develop new products and open up new markets, including local and/or niche markets;
- introduce new technology or processes;
- improve quality standards, occupational health and safety;
- enhancing environmental performance and reducing waste.

Eligible Beneficiaries

109. For forestry products, eligibility will be limited to micro-enterprises.

Eligible Activities

110. The following activities will be eligible for support under this measure:

- processing and marketing of Annex 1 products (except fisheries products);
- development of new products, processes and technologies for Annex 1 products (except fisheries products);
- processing and marketing of forestry products, especially for woodfuel;
- development of new products, processes and technologies for forestry products;
- purchase of specialist forestry equipment that combines felling and primary processing in a single activity.

111. No aid will be granted for the manufacture and marketing of products which imitate or substitute milk and milk products or in respect of fisheries products.

112. Aids intended to promote the diversification of primary producers (farmers) into other activities connected with the production, processing and marketing of Annex 1 agricultural products should be considered under this measure.

113. In line with Article 28(1)(c) of the Regulation, beneficiaries will be required to respect the Community standards applicable to the investment concerned. There are currently no plans to use the measure for investments made in order to comply with new Community standards.

114. In the case of support for investments for adding value to forestry products, investments related to the use of wood as a raw material shall be limited to all working operations prior to industrial processing, including, for example, dismembering, stripping, and cutting up.

An additional sum of £1.38m of EAFRD funding has been made available under this measure as part of the European Economic Recovery Package. This will support investments that improve of processing and marketing of dairy products through investment in improved efficiency, new technologies and new market opportunities, and therefore improve the overall performance of dairy enterprises.

Eligible Costs

115. Eligible costs will include:

- capital costs including new build and conversions, equipment and machinery and associated infrastructure;
- architects', engineers' and consultants' fees;
- feasibility studies;
- product development, branding and design costs.

116. Second hand equipment for large²¹ companies will be ineligible.

5.1.6.4 Aid intensity and state aids

117. For small and medium sized businesses, aid intensity for annex 1 in and Annex 1 out will be at the following rates:

²¹ "large" as defined in the EU Implementing Regulations

- Up to 50% in Convergence objective areas;
- Up to 40% in other areas.

118. For intermediate enterprises above the SME threshold (with less than 750 employees or with a turnover of less than €200 million), aid intensity rates will be as follows for annex 1 in and annex 1 out:

- Up to 25% in Convergence objective areas;
- Up to 20% in other areas.

119. Investments concerning primary agricultural processing and marketing where the end products are non-Annex 1 will be funded in accordance with the SME block exemptions (Commission Regulation 70/2001: state aid to small and medium enterprises).

120. For forestry aid (available to micro-enterprises only) de minimis aid under Commission Regulation 1998/2006 will apply. The aid intensity will be at the following rates:

- Up to 50% in Convergence objective areas;
- Up to 40% in other areas.

121. Where proposals address CAP Health-Check 'new challenges' (climate change, biodiversity, renewable energy, water management and dairy sector restructuring), the maximum aid intensity rate under this measure will be increased by 10%, as follows:

- for small and medium sized businesses (SME), aid intensity rates for Annex 1 in and Annex 1 out, 60% in Convergence objective areas and 50% in other areas;
- for intermediate enterprise above the SME threshold (with less than 750 employees or with a turnover of less than €200 million), 35% in Convergence objective areas and 30% in other areas;
- investments concerning primary agricultural processing and marketing where the end products are non-Annex1 will continue to be funded in accordance with the SME block exemptions (Commission Regulation 70/2001: state aid and medium enterprises).
- for forestry aid (available to micro-enterprises only), 60% in Convergence objective areas and 50% in other areas.

122. In all cases, large companies (in excess of 750 employees or with a turnover of more than €200 million) will be subject to de minimis support under Commission Regulation 1998/2006 or (for primary agricultural production) under Regulation 1860/2006.

5.1.6.5 State Aids

123. No additional national aid will be used to support interventions under this measure.

5.1.6.6 Quantified targets for EU Common Indicators

Table 5-6

Type of indicator	Indicator	Target
Output	Number of enterprises supported	3,350
	Total volume of investment (€m)	€370m

Result	<p>Number of enterprises introducing new products and/or techniques</p> <p>Increase in gross value added in supported enterprises</p>	<p>2,850 holdings or enterprises receiving support under the measure introduced a new product and/or technique.</p> <p>Farm/ food/ forestry enterprises supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other farm/food/ forestry enterprises in England.</p>
Impact	<p>Economic growth</p> <p>Labour productivity</p>	<p>Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.</p> <p>Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.</p>

5.1.6.7 Additional Programme-Specific Indicators and Quantified Targets

Additional output Indicator	Target
Support contributing to competitiveness of the livestock sector (number of farm holdings)	700

5.1.7 Cooperation for development of new products, processes and technologies

Article	Articles 20 (b) (iv) and 29 of Regulation (EC) No 1698/2005.
Measure Code	124

5.1.7.1 Rationale for Intervention

124. The Government's Strategy for Sustainable Farming and Food (SFFS) recognised the importance of reconnecting all elements of the food chain, and in particular farmers with their markets. Strengthening links between the various elements of the chain through cooperation and collaboration is seen to be a key element in achieving this objective. The SFFS emphasised the importance of reducing unnecessary costs, improving efficiency along the food chain, and adding value to production. It also noted that a drive for added value is likely to go hand in hand with the pursuit of higher quality.

125. In the non-food sector, the joint Defra/DTI Strategy for non-food crops and uses, launched in 2004, confirmed the Government's commitment to the development of renewable materials, including those derived from forestry to provide energy, fuels and industrial products. The Government recognised the potential of these sectors and the key part they play in helping to meet sustainable development targets, as well as bringing benefits to industry competitiveness, the rural economy, and the environment. The Strategy provides a detailed action plan aimed at building supply chains and facilitating the future growth of renewables markets.

126. The development of new products, processes and technologies has an important role to play in achieving the aims of both these strategies. By collaborating to pool resources and knowledge, businesses will be better able to pursue the development and uptake of more efficient ways of working and to exploit, for example, the growing demand for quality foods and renewable raw materials such as wood fuel. However, the investment and knowledge base necessary to do this is beyond the reach of many of the often small, businesses that make up the agriculture, food and forestry sectors. As a result, the sector is less able, without intervention, to invest in the research necessary to innovate successfully.

127. Intervention is therefore required to correct two basic market failures: first, the problem in providing the assets required for innovation; and second, the information asymmetry, which causes innovation to be constrained by uncertainty about the pay-offs from risky investments. It is also required to overcome the barriers that prevent businesses from collaborating. One of these barriers is the transaction cost, particularly in terms of time, that one business faces if it wishes to collaborate with another. Use of this measure will reduce those transaction costs by providing funds for the infrastructure that supports collaboration.

128. Collaboration can be beneficial to producers and processors for a number of other reasons. Vertical collaboration brings producers closer to their markets, enabling them to respond more effectively to consumer demand. Collaborating with retailers and processors can also improve traceability and ensure consistent quality. Horizontal collaboration between producers can provide economies of scale, spread risk, and facilitate efficient investment. Greater collaboration is particularly desirable at the present time because of the need for the English agricultural sector to become more market-orientated, and able to deal with issues such as risk.

129. The rationale relating to the need to add value to forest products is outlined in measure 123.

130. Measure 123 is restricted to micro-enterprises, but developing new products and processes can require capital investment beyond the means of such businesses. It is

therefore necessary to implement this measure to enable more major and large-scale innovations to be pursued, as cooperative ventures. Linkage between growers and producers can also be very critical in terms of security of supply and market for an innovative product, and this measure specifically facilitates this.

5.1.7.2 Objectives of the Measure

131. To ensure that the agriculture and food sector can take advantage of market opportunities through widespread innovative approaches in developing new products, processes and technologies. For this purpose, cooperation between farmers, the food and the raw materials processing industry and other parties should be encouraged.

132. To promote cooperation between producers and processors to develop innovative uses for forest products, this will in turn lead to management of woodlands, which protects their public interest and enhances the public benefits.

5.1.7.3 Scope and actions

133. Broadly as per measure 123, though support will also be available under this measure to support the transaction costs, particularly in terms of time, of collaboration but each must involve collaboration between two or more producers, processors or other enterprises.

Eligible Beneficiaries

134. Eligible beneficiaries under this measure are:

- primary producers in agriculture and forestry, the processing industry and/or third parties (no limitation in size);
- partners involved in the cooperation projects.

135. Primary Producers will always be involved in the cooperation activity concerned.

136. Support under the measure will be available to all sectors of the agriculture, forestry and food industries. Potential partners in cooperation include farmers, food manufacturers and processors, food retailers and distributors, forestry enterprises, raw materials processors, manufacturers and distributors of inputs, trade associations, levy boards and research establishments.

Eligible Activities

137. As required under Article 29(2) of the Regulation, such support shall contribute to cover costs incurred for the cooperation. There will be no distinction in the priority given to cooperation projects involving new products, new processes or new technologies. The collaboration will be between two or more producers, processors or other enterprises.

An additional sum of £1.38m of EAFRD funding has been made available under this measure as part of the European Economic Recovery Package. This will support the dairy sector to take advantage of market opportunities through widespread innovative approaches in developing new products, processes and technologies in particular encouraging cooperation between farmers, the food and the dairy processing industry.

Eligible Costs

138. The following will be considered to be eligible costs:

- preparatory operations such as design, product, process or technology development and tests and other tangible and/or intangible investments related to the cooperation (such as legal fees/accountancy costs), before the use of the newly developed products, processes and technologies for commercial purposes.

State Aids

139. Investments concerning cooperation between primary producers in agriculture and forestry, the processing industry and /or third parties will be funded subject to limits imposed by the General Block Exemption Regulation (EC) 800/2008.

140. No additional national aid will be used to support interventions under this measure.

5.1.7.4 Quantified targets for EU Common Indicators

Table 5-7

Type of indicator	Indicator	Target
Output	Number of cooperation initiatives supported	150
Result	Number of enterprises introducing new products and/or techniques (division according to the type of redeployment of production)	140 holdings or enterprises receiving support under the measure introduced a new product and/or technique.
	Increase in gross value added in supported enterprises	Farm/ food/ forestry enterprises supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other farm/food/ forestry enterprises in England.
Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Labour productivity	Businesses supported under the RDPE show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.

5.1.7.5 Additional Programme-Specific Indicators and Quantified Targets

Additional output Indicators	Target
<ul style="list-style-type: none"> Support contributing to competitiveness of the livestock sector (number of farm holdings) 	17
<ul style="list-style-type: none"> Support to livestock sector contributing to enhancing on-farm management of nutrients (number of farm holdings) 	6
<ul style="list-style-type: none"> Support contributing to animal health and welfare (number of farm holdings) 	6

5.1.8 Infrastructure related to the development and adaptation of agriculture and forestry

Article	Articles 20 (b) (v) and 30 of Regulation (EC) No 1698/2005.
Measure Code	125

5.1.8.1 Rationale for Intervention

141. Inadequate access is one of the most common reasons for forest and woodland not being managed, and hence not realising its full economic potential²². Evidence of the environmental threats from lack of management and the benefits of woodlands being under economically viable management are given under Measure 122. Most operations to reverse environmental decline and enhance public benefits require good access. The environmental benefits associated with timber harvesting are explained in Measure 123. The development of new enterprises and hence diversification of the forest sector usually require installation of some new infrastructure. The high capital cost of such infrastructure is commonly a major barrier to such diversification.

142. While much of England is well supplied with water, there are significant pressures on water resources in many of the drier areas of the country, particularly in the East and South East Regions. It is also likely that there will be more water shortages in the future. Global climate change suggests a pattern of drier summers, but at the same time water consumption remains very high, especially in the areas worst served by rainfall. These problems are likely to be particularly accentuated in certain regions, especially the densely populated South East. There is therefore a need for increased capacity for water storage and effective water management.

5.1.8.2 Objectives of the Measure

143. This measure will be used to provide support for investments in infrastructure related to the development and adaptation of agriculture and forestry. Support may cover:

- access to farm and forest land;
- water management.

5.1.8.3 Scope and actions

Eligible Beneficiaries

144. Eligible beneficiaries shall be farm and forestry business.

Eligible Activities

145. Support under this measure may cover operations related to (non-exhaustive list):

- development of high flow storage reservoirs;
- improvement of existing irrigation and drainage networks
- water recycling, water harvesting and treatment
- construction or improvement of access roads and tracks to farm and forest land;
- improvement or restoration of bodies of water that will contribute to the economic viability of the wood or farm.

146. Funding will only be considered for water management schemes that are consistent with the economic analysis and sustainable use objectives of the relevant River Basin Management Plan, made under the Water Framework Directive.

Eligible Costs

147. Eligible costs shall be:

²² Sustaining England's Woodlands, Forestry Commission 2003.

- capital costs;
- costs incurred in development and co-ordination where these form a necessary part of the undertaking;
- where proposals for agricultural beneficiaries address CAP Health-Check 'new challenges' the maximum rate of aid intensity under this measure will be increased by 10%.

5.1.8.4 State Aids

148. For forestry aid, de minimis support under Article 2 of Commission Regulation 1998/2006 will apply.

149. No additional national aid will be used to support interventions under this measure.

5.1.8.5 Quantified targets for EU Common Indicators

Table 5-8

Type of indicator	Indicator	Target
Output	Number of operations supported	885
	Total volume of investment (€m)	€210m
Result	Increase in agricultural gross value added in supported farms	Farm/ food/ forestry enterprises supported under the Rural Development Programme for England show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other farm/food/ forestry enterprises in England.
Impact	Change in gross value added per full time equivalent (GVA/FTE)	Businesses supported under the Rural Development Programme for England show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.

5.1.8.6 Additional Programme-Specific Indicators and Quantified Targets

150. No additional indicators are currently proposed for this measure.

5.2 AXIS 2: Improving the environment and the countryside

151. Natural England and the Forestry Commission will deliver the measures under Axis 2 of the England Programme.

Ongoing operations/contracts from the previous period

152. The financial commitments, detailed by measure, entered into under the previous programming period, which will be financed from the Rural Development Programme for England 2007 – 2013 under this Axis are detailed in the Correlation table for measures provided for in Regulation (EC) No 1257/1999 and Regulation (EC) No 1698/2005 at Annex 1 to Chapter 5.

Overview of Measures targeting the sustainable use of agricultural land

153. The following measures targeting the sustainable use of agricultural land available under Axis 2 of the Rural Development Regulation will not be implemented in England.

Measure	Explanation
211 Natural Handicaps	There are no areas in England that qualify for this measure.
213 Natura 2000 payments etc	<p>It is not proposed to provide compensation to farmers for costs incurred and income foregone resulting from restrictions on the use of land under Natura 2000 or under Directive 2000/60/EC. Such compensation fails to deliver added value because such restrictions arise from a clearly defined legal obligation. Instead, the need to comply with these restrictions is built into the cross-compliance conditions that apply to all receiving Single Payment Scheme payments and/or Rural Development Programme funding.</p> <p>It is proposed to use the agri-environment measure, delivered through Environmental Stewardship, to help farmers in England meet the cost of any positive management needed to restore Natura 2000 sites to, or maintain them in, favourable condition. This course of action is justified for the following reasons:</p> <p>The requirement in the Habitats Directive to maintain the Natura 2000 network in favourable conservation status is delivered in England by including Natura 2000 sites in the network of Sites of Special Scientific Interest (SSSI). The domestic legislation governing SSSIs (the Wildlife and Countryside Act 1981 as substituted by Schedule 9 of Countryside and Rights of Way Act 2000) requires their managers to abide by standards and procedures aimed at avoiding damage and ensuring prior notification of major changes in land management. However, the same legislation requires a voluntary approach to be taken to ensuring the positive management of these sites wherever possible. The voluntary approach has been taken because of the difficulty of imposing complex positive management, which arises because the co-operation of the land manager is extremely important to the success of such management. Reserve powers to require specific positive management are available, but are very seldom used. In the over whelming majority of cases, land managers agree to undertake the necessary positive management on a voluntary basis.</p>

	<p>Under the SSSI system, land managers are provided with information on the positive management needed to ensure that their sites are restored to or maintained in favourable condition. The nature and intensity of this management varies considerably between and even within individual sites. For this reason, a flat rate payment per hectare is not appropriate.</p> <p>Evidence that no compensation is offered to land managers for the designation of their land as part of the Natura 2000 network comes from the structure of Environmental Stewardship, the delivery mechanism for the agri-environment measure in England. Whilst Natura 2000 sites may well be amongst the areas targeted by the scheme, it makes no distinction in terms of the options and payment rates between land that is designated as Natura 2000 and land that is not.</p> <p>It is also worth noting that under this UK legislation SSSIs that are part of the Natura 2000 network are treated in exactly the same way as those that are not. Land within a Natura 2000 site is not therefore subject to any additional land management restrictions compared to non-Natura 2000 land that is designated as SSSI. There are additional safeguards in relation to development proposals, but these are outside the scope of Article 38.</p> <p>Therefore, through a combination of legislative requirements and payments for positive management using the agri-environment Measure, all the requirements for Natura 2000 sites are met without the need for compensation payments.</p>
215 Animal Welfare Payments	<p>Animal welfare in England is regularly monitored and often exceeds standards. For example, State Veterinary Service inspections carried out in 2005 demonstrated that for randomly inspected farms (programmed and elective visits) nearly 80% comply with both legislation and voluntary codes of practice. As the European Commission noted in 2002, “research has shown that both farm animal welfare and product quality improves when the people who care for, transport and handle the animals are well-trained, have a positive attitude towards their jobs and the animals, treat the animals with care, and are attentive to their needs. It is therefore important to educate and inform these professionals”. It is felt that this strikes the right note and properly records the importance of extending good animal health and welfare beyond the farm gate. Ongoing payments for animal welfare (normally for between five and seven years under the Regulation) is would not be the most effective way of delivering animal health and welfare outcomes in England, and in particular would represent a significant diversion of funds away from other priorities. However, it will be possible to obtain support for knowledge transfer based training and skills in relation to animal health and welfare under Axis 1.</p> <p>(Payments relating to commitments made in the 2000-2006 Programme will be made – see the table in Annex 1 to Chapter 5.)</p>

5.2.1 Payments to farmers in areas with handicaps, other than mountain areas

Article	<p>Articles 36 (a) (ii), 37 & 93 of Council Regulation (EC) No 1698/2005</p> <p>Articles 13(a), 14 (1), 14(2) (first two indents), 15, 17, 19, 20, 51 (3) & 55 (4) of Council Regulation (EC) No 1257/1999 (These articles remain in force until 31st December 2009 under Article 93 of Regulation (EC) No 1698/2005)</p> <p>Points 9.3.V.A(1), 9.3.V.B(1),(2) & (3) and 9.3.V.B (second indent) of Annex II to Regulation (EC) No 817/2004 (These points apply until 31st December 2009 under Point 5.3.2.1.1 of Annex II of Commission Regulation 1257/1999)</p>
Measure Code	212

5.2.1.1 Rationale for intervention

154. The English Uplands, designated as Less Favoured Areas (LFAs), provide a wide range of important public benefits. They are nationally and internationally important for biodiversity, as well as being of significant landscape, recreational, cultural and natural resource value.

155. They also represent 17% of all English agricultural land. Agricultural activity has largely shaped the upland landscapes and provides many of the tools with which to manage these areas and deliver these benefits. Upland farming also plays a role in maintaining the rural communities of the uplands as well as contributing to the rural economy.

156. However, the characteristics of the LFAs make it more difficult for farmers to compete, and farming is at its most marginal. This is particularly as a result of the natural characteristics, such as topography, soil, altitude, and climate, but can also be a result of remoteness and sparseness of population. Because of this, historically, special support has been available in the uplands to sustain food production, and because of perceived social benefits. More recently, support has moved away from subsidising food production. Since the introduction of the Hill Farm Allowance (HFA) in 2001, LFA support in England has been focused on supporting continued agricultural use of the uplands in a more sustainable way. The introduction of Uplands ELS in 2010 (see paragraph below) will mark a further step in this direction.

157. The Rural Development Programme for England 2007 – 2013 will continue the HFA for the first part of the Programme, with the last HFA payment being made in early 2010. The objectives of the scheme will remain unchanged. From 2008, the geographic coverage of the HFA was narrowed, focusing support on the most severely disadvantaged areas.

158. The reasons for this are as follows:

- there are significant differences in farming conditions between the Disadvantaged Areas (DA) and SDA. DA land is generally higher-grade agricultural land, is more accessible, and producers have more options to maximise the potential of this land. Furthermore, the SDA designation relied more on physical characteristics than the DA designation, as opposed to socio-economic data, which are now out-of-date;
- SDA farmers are more reliant on farming subsidies and agri-environment income than DA farms. This gap will continue to widen as a result of CAP reform because the DA is subsumed within the lowland for the purpose of defining SPS regions and therefore receives a higher flat rate payment than the SDA. While the full effect of

these changes will not take place until 2012, the transition from historic to area-based payments has already begun.

- The SDA generally has higher landscape and biodiversity values. For example, 16% of the SDA is designated as SSSI, compared to only 1% of the DA.

159. The final payment of the HFA, in its current form, will be made in early 2010. After that point, specific support for SDA farmers will primarily be provided through the agri-environment measure. This will be done through a new uplands strand of the Environmental Stewardship, 'Uplands ELS'. The objective of the move from the HFA to Uplands ELS is to ensure that public expenditure for upland farming is targeted directly towards the provision and maintenance of environmental and landscape benefits. This is in line with the recommendations of the Cumulus Consultants' report, described in Section 3.1.2.1.

160. From 2011, the HFA will be amended to provide a transitional payment for a specific, limited group of farmers unable to access Uplands ELS. SDA land under a closed agri-environment scheme – the Environmentally Sensitive Area (ESA) scheme or the Countryside Stewardship Scheme (CSS) – will be ineligible for Uplands ELS. Without some form of transitional payment, farmers engaged in these agreements would lose their HFA funding after their final payment in 2010, but would not be able to make up this loss of income by entering the Uplands ELS. This would leave these farmers unable to access specific uplands funding until their ESA or CSS agreement expired (which could be as late as 2014). This would penalise those farmers who were early adopters of agri-environment, potentially undermining confidence in Environmental Stewardship, with consequential impacts on scheme uptake and delivery of our environmental objectives.

161. To ensure that farmers managing such land are not penalised by the introduction of Uplands ELS, they will be eligible for an amended version of the Hill Farm Allowance from 2011. The scheme will be renamed as the Uplands Transitional Payment, under Measure 212. It will include additional eligibility conditions, to ensure it is only available to those farmers who will lose their HFA payment after 2010 but will be unable to enter that SDA land into Uplands ELS because it is still under ESA or CSS agreement. The other eligibility conditions will remain unchanged.

162. One of the aims of the HFA is to prevent abandonment of land in the uplands. There is no evidence of significant abandonment of this land, and we are content that the replacement of the HFA with Uplands ELS will not lead to a reduction in the area of SDA land under agricultural management in England. This is further supported by the design of Uplands ELS, which will continue to provide a similar level of support to a similar population (and will be open to all farmers within the SDA). Uplands ELS has been designed to be accessible and attractive to farmers and land managers. Further, while there is no evidence of land abandonment in the uplands, there is some suggestion of negative changes to farming practices which the HFA, under the LFA measure, could not easily prevent. In contrast, Uplands ELS will discourage such negative change.

163. Uplands ELS will explicitly reward farmers for delivering public benefits which were never guaranteed under the HFA. By encouraging simple, effective and specific land management practices, Uplands ELS will deliver environmental benefits additional to those achieved by the HFA, and, subsequently, should provide better value for money as a scheme. Government economists have estimated that these additional environmental benefits will be worth in the region of £30m per annum.²³

164. Uplands ELS will be paid under the agri-environment measure 214. Full details of Uplands ELS can be found in section 5.2.2.

²³ *Impact Assessment for Uplands Entry Level Stewardship (Uplands ELS)*, November 2008.

5.2.1.2 Objectives of the Measure

165. The HFA provides dedicated support to extensive livestock farmers in the English LFAs (excluding dairy). It recognises the difficulties that farmers face in these regions and the vital role that they play in maintaining the landscape and rural communities of the hills. The Uplands Transitional Payment will do the same for the specific group of farmers who previously received the HFA but will be unable to enter that land into Uplands ELS due to it still being the closed ESA or CSS agreements after 2010.

166. The continuation of extensive cattle and sheep grazing is crucial to maintaining the upland environment in England. It is traditional and extensive sheep and beef grazing that has largely moulded the environment, biodiversity and landscape of the English LFAs.

167. Therefore, in accordance with article 13(a) of Regulation 1257/1999, the HFA and the Uplands Transitional Payment have the following objectives:

- to maintain the countryside;
- to maintain and promote sustainable farming systems which, in particular, take account of environmental protection requirements.
- to ensure continued land use and thereby contribute to the maintenance of a viable rural community.
- The Uplands Transitional Payment will also ensure that farmers are managing land in CSS and ESA agreements after 2010 are not disadvantaged by the loss of the HFA because that land will not be eligible for Uplands ELS until their CSS or ESA agreement finishes.

5.2.1.3 Scope and actions

168. Under the HFA and the Uplands Transitional Payment; area payments will be made to farmers using eligible land to keep extensively grazed sheep breeding flocks and suckler-cows for beef production in the English LFA.

169. The scheme does not include support for land used for dairy farming. A modest amount of dairy farming takes place in the LFA but it is restricted to the best pastures suffering the least natural handicap. It would not be environmentally sound to encourage dairying on poorer land, as that could lead to overgrazing and damage to the environment of the hills. Traditionally this land has made a social contribution by maintaining dairy farmers without special support beyond that offered by the market regime.

170. Other forms of livestock production that exist in the English LFAs are also not included in the HFA or the Uplands Transitional Payment. These production units have evolved relatively recently without relying on direct LFA support.

5.2.1.4 Confirmation that cross-compliance requirements are identical to those provided for by Regulation (EC) No 1782/2003

171. HFA and Uplands Transitional Payment recipients will be required to meet the English standards of Good Agricultural and Environmental Condition (GAEC) and comply with a number of Statutory Management Requirements (SMR) relating to the environment, public and plant health, animal health and welfare, and livestock identification and tracing. A list of the standards of GAEC and SMRs is included at Annex 2 to Chapter 5, Appendix VII. These requirements are the same as the cross compliance conditions of the Single Payment Scheme as set out in Articles 4 & 5 of and Annexes III & IV to Regulation (EC) No 1782/2003.

Changes to the Hill Farm Allowance

172. Since the scheme was approved by the Commission in 2000, it remains essentially the same. It has, however, been necessary to review minor aspects of the scheme rules to take account of the following issues:

- new requirements on cross-compliance attached to the Single Payment Scheme and to take account of the requirements of Regulation 1698/2005 relating to eligibility for payment;
- revised requirements for the environmental ‘enhancement’ payments under the scheme to ensure there is no over-compensation resulting from the addition of new options in Environmental Stewardship. Enhancements relating to organic farming and mixed stocking were removed in 2006 and 2007 respectively.
- removal, in 2006, of two environmental enhancements relating to stocking densities linked to the previous production related subsidies.

173. From 2008, there will be a further change to the HFA when the geographic coverage of the scheme is reduced as described above.

174. From 2011, it will be renamed the Uplands Transitional Payment, and will include new eligibility conditions so that it is limited to a specific group of farmers, as set out above.

Designation of the Less Favoured Areas

175. The English LFAs were established under Directive 75/276/EEC concerning the Community list of less-favoured areas within the meaning of Directive 75/268/EEC (United Kingdom) and by Commission Decision 91/25/EEC altering the limits of the less-favoured areas in the United Kingdom and now incorporated into Regulation (EC) 950/97. The LFAs of mainland England are classified in accordance with Article 19 of Regulation 1257/1999. The Isles of Scilly are classified in accordance with Article 20.

176. The LFAs cover some 1,800,000 hectares of agricultural land in upland northern and south western England and areas of the Welsh Borders, which is nearly 20% of England’s agricultural land area. The extent of English LFAs and their subdivision into DA and SDA areas are described in Section 3.1 of this document.

177. From 2008, we propose limiting the coverage of the Hill Farm Allowance to SDA farms only, by removing support from DA farms for the reasons explained above. The Uplands Transitional Payment will also only apply to SDA farms.

Differentiation

178. Payment rates will be differentiated to reflect the differing levels of severity of permanent natural handicap experienced within the LFAs. The objective is to set rates that make an effective contribution to compensation for natural handicaps, while avoiding overcompensation.

179. LFA land will therefore be sub-divided into four land classification categories:

- land within the moorland line²⁴;
- common land outside the moorland line;
- other SDAs;
- other DAs.

180. Payment rates are higher on SDA land than DA land, as it suffers more severely from natural handicap than DA land. After 2007, DA land will not be eligible to receive LFA support.

²⁴ The moorland line encloses land defined as predominantly semi-natural upland vegetation, or predominantly of rock outcrops and semi-natural vegetation, used primarily for rough grazing. It encloses some 798,896 hectares (42%) of LFA land. The line was established in 1992 using a combination of aerial photographic interpretation, ground checking and surveys.

181. The different payment rates for moorland and commons are set to avoid over-compensation. Land within the moorland line has more limited agricultural use: the pattern of husbandry in moorland areas involves grazing relatively small numbers of animals over large areas, at low stocking densities. Farms are larger than equivalent enterprises on more favoured land, and higher area payment rates would effectively over-compensate for natural disadvantage.

182. Common land too is frequently of limited agricultural use, even outside the moorland line. The right to use commons also carries with it little in the way of financial burdens so a lower rate of aid is needed to avoid over-compensation.

183. The rates are also intended to offer protection against possible future land abandonment. Rates of land abandonment in the English LFAs will be monitored in order quickly to identify any potential problems in these areas, so that appropriate changes may be made to the programme.

5.2.1.5 Calculation of compensatory allowances

184. The calculation of compensatory allowances will be based upon two elements – basic area payments and any optional environmental enhancements.

185. Section 5.3.2.1.1 of Annex II of the Implementing Regulation 1974 of 2006 makes it clear that the provisions of points 9.3.V.A(I) and 9.3.V.B(1), (2) and (3) and of the second indent of point 9.3.V.B of Annex II to Regulation (EC) No 817/2004 apply until 31st December 2009. The following sections supply the information required under these sections of the Regulation:

- justification of proposals to exceed the maximum amount which can be part-financed: it is not proposed to exceed the maximum limit. The 'Maximum and minimum aid rates' section below explains how this will be avoided;
- definition of the minimum area: the minimum area will be 10ha of eligible forage area;
- description of the appropriate conversion mechanism used in the case of common pastures; the Conversion mechanism for common land (common pasture) section below explains how this will be undertaken;
- justification of differentiation of the amount of aid for payments referred to in Article 13(a) of Regulation (EC) No 1257/1999 using the criteria set out in Article 15(2) of that Regulation: this is covered by the Differentiation section above;
- amendments to the lists of less-favoured areas adopted or amended by Council and Commission Directives, and the list of areas with environmental restrictions: no amendments have been made since before 2000.

186. The basic payments for the HFA and the Uplands Transitional Payment are calculated annually. The HFA will be paid in 2007 at the rates set out in Table 5-9.

Table 5-9 – HFA Payments in 2007

	£/hectare 2007
Moorland	13.32
Common land	13.32
Other DA land	19.03
Other SDA land	35.20

187. Over-compensation will be further avoided by paying the full rate of area aid under the HFA and Uplands Transitional Payment only on the first 350 hectares. The following

350 hectares will receive half rate (50%) payments. Land in excess of 700 hectares will receive no payments.

188. Payments may be increased through environmental enhancements for farmers who meet certain environmental criteria. The basic payment will be increased by 5% if a farmer meets one of the criteria or by 10% if both criteria are met.

189. The criteria are:

- to maintain at least 1 hectare or 5% (whichever is the smaller) of the eligible land under arable cover that is not receiving other financial support and was not converted from permanent grassland in or after 1999;
- maintain at least one hectare or 5% (whichever is the smaller) of the eligible land under woodland cover that is not receiving other woodland financial support and was not converted from permanent grassland in or after 1999.

190. These enhancements are intended to incentivise the management of upland woodland and the maintenance of small areas of arable land in predominantly pastoral areas, which has been shown to be beneficial to farmland birds.

5.2.1.6 Maximum and minimum aid rates

191. Article 15(3) of Regulation 1257/1999 sets minimum and maximum levels of compensatory allowances. These are set at 25 and 200 Euros per hectare respectively. The maximum limit of 200 Euros per hectare will be respected because no payment rate for any of the designated land types will exceed this level, even if enhanced by the maximum 20%.

192. Payment rates for DA and SDA land outside the moorland line exceeds the minimum rate of 25 Euros per hectare. The rate for land within the moorland line and for common land outside the moorland line is set below this limit. This may have the effect that the average payment received by a producer whose holding lies predominantly within the moorland line, or depends to a much greater extent than is usual on common land outside the moorland line, falls below 25 Euros per hectare. This is acceptable because it falls within the circumstances set out in the footnote to the annex referred to in Article 15 and accords with Article 15(1) in avoiding over-compensation.

193. The payment rates will be reviewed should the Council repeal the relevant parts of Regulation 1257/1999, bringing in to force the new requirements relating to payment rates under this measure as set out under Regulation 1698/2005.

5.2.1.7 Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations

194. Article 48(2) does not refer to the LFA article (article 37 of 1698/2005) and therefore this does not apply.

5.2.1.8 Eligibility Conditions

195. To be eligible for the HFA or the Uplands Transitional Payment, farmers must have a minimum of ten hectares of eligible forage land in the LFA. Eligible forage land is that which lies within the English LFA and which meets the definition of forage area for the purposes of the SPS application (as governed by Regulation 1782/2003). From 2008, this will be limited to land within the SDA only.

196. Payments will be made to farmers who maintain extensively grazed suckler-cow beef herds or sheep breeding flocks on eligible land, at a stocking density of at least 0.15 LU/ha. Producers maintaining stock at lower levels, however, may still qualify for a compensatory payment where agri-environment or other recognised environmental measures require this reduced level of stocking.

197. In accordance with Article 14(2) of Regulation 1257/1999, farmers must undertake to farm on the eligible land for five years from the first payment of a compensatory allowance, including those paid under Regulation 950/97 and its predecessor.

198. On top of these conditions, to be eligible for the Uplands Transitional Payment farmers must manage land in an ESA or CSS agreement which consequently cannot be entered into Uplands ELS, and they must have successfully claimed the HFA in 2010. Farmers will not be able to claim a greater area of SDA land for the Uplands Transitional Payment than they did under HFA 2010.

199. Farmers must also follow the cross compliance requirements as detailed above.

Conversion mechanism for common land (common pasture)

200. Common land will be assigned between individual farmers in proportion to their right of use of it using the procedures already applied for Single Payment Scheme (SPS) purposes. This will be achieved by first dividing the area of common land by the total number of grazing rights held for it to establish a value per hectare for each right held (expressed per LU), and then apportioning the area in proportion to the individual rights declared by producers in their most recent SPS declarations.

Administrative Procedures

201. For HFA 2007, where the structure of the scheme had not been agreed by the deadline for lodging SPS applications, HFA applicants were invited to indicate if they wished to claim HFA and were then provided with scheme details, once they had been agreed, and a declaration to sign and return that signalled formal entry into the scheme. Those applicants who had not previously provided land and/or animal details on the SPS 2006 application were able to provide this data on an HFA specific claim form introduced for HFA 2007.

202. For HFA 2008 onwards, and for the Uplands Transitional Payment, the application will be incorporated into the annual SPS declaration. SPS administrative, inspection and control requirements will contribute to ensuring the accuracy of declarations of eligible LFA land and land under arable and woodland cover, which is not receiving other CAP support. Calculation of eligibility for the arable and woodland enhancements will be determined through cross-checks with other schemes to ensure no double counting.

Controls and Sanctions

203. Checks will be carried out to ensure that the following basic criteria have been met:

- that producers have not less than 10 hectares of eligible land;
- that they farm eligible cattle and/or sheep;
- that they maintain stock levels at or above the minimum stocking level (unless required by an agri-environment or other agreement not to do so); and,
- that the appropriate payment enhancements are applied.

204. In addition to the above controls, claims for compensatory allowances will be liable to 5% on-farm checks in accordance with Commission guidelines for an integrated rural development inspection regime. The inspections will ensure that producers who are claiming LFA support are meeting all relevant commitments for receipt of the aid.

205. Penalties for the over-declaration of land areas will be applied in line with Article 51 of Regulation 796/2004. Any breaches of other scheme requirements may result in recovery of all or part of the payment made. A penalty system will be applied as outlined at Chapter 12. Serious offences, such as preventing an inspecting officer from carrying out his duties, will be punishable under national law.

5.2.1.9 Quantified targets for EU common indicators

Table 5-10

Type of Indicator	Indicator	Target
Output	Number of supported holdings in areas with handicaps, other than mountain areas	700
	Agricultural land area supported in areas with handicaps, other than mountain area (million hectares)	0.08
Result	Area under successful land management contributing to avoidance of marginalisation and land abandonment(hectares)	80,000
Impact	Reversal in biodiversity decline (farmland bird species population)	Decline in farmland bird populations reversed by 2010
	Change in high nature value areas	95% of HNV farmland in favourable condition by 2010.

5.2.1.10 Additional Programme Specific Indicators and quantified targets

Type of Indicator	Indicator	Target
Additional result	Area of Natura 2000 designated sites supported	364,410 ha of SAC sites and 274,800 ha of SPA sites supported in 2007. 357,570 ha of SAC sites and 273,940 ha of SPA sites by 2009
	Area of agricultural land in supported area (million hectares)	800,00 ha (0.8m ha)

5.2.2 Agri-environment payments

Article	Articles 36 (a) (iv) and 39 of Regulation (EC) No 1698/2005.
Measure Code	214

5.2.2.1 Rationale for Intervention

206. From the late 1980s, efforts have been made in England to halt and reverse the widespread loss of habitats and degradation of the farmland environment using agri-environment schemes. The first of these was the Environmentally Sensitive Areas Scheme (ESAs) in 1987, which was designed to protect sensitive landscapes and habitats from the further intensification of agriculture in 22 designated areas. In 1991, Countryside Stewardship (CS) was launched and this was aimed at restoring habitats and landscape features outside the designated ESA areas. In 1994, the Habitat Scheme was introduced and this was aimed at creating or enhancing habitats by taking land out of agricultural production and the Organic Aid Scheme was introduced to encourage conversion to organic farming. In 1999, the schemes were rationalised by expanding CS to provide for the creation of habitats and closing the Habitat Scheme to new applicants. In the same year, the Organic Aid Scheme (OAS) was closed and replaced by the Organic Farming Scheme (OFS), which introduced enhanced incentives for organic conversion. Finally, following a wholesale review of the schemes, the ESA and CS schemes were closed to new applicants in 2004. The OFS was closed in 2005. They were replaced by a single new scheme, Environmental Stewardship (ES), launched in 2005. This originally comprised three elements:

- Entry Level Stewardship (ELS) a broadly based element aimed at all conventional farmers in England;
- Organic Entry Level Stewardship (OELS) a broadly based scheme aimed at organic farmers;
- Higher Level Stewardship (HLS) a more targeted scheme aimed at the most valuable habitats and environmental features that require complex and locally adapted management.

207. In 2010 a new strand of Environmental Stewardship designed specifically for farmers in the SDA was introduced. 'Uplands ELS' adds uplands-specific land management requirements and options to the existing range of ELS (or OELS) options. Uplands ELS will replace the HFA as a form of specific support for farmers in the English SDA. Unlike the HFA however it supports specific land management practices which deliver environmental and landscape benefits.

208. The England Rural Development Programme 2000-2006 has, through its previous agri-environment schemes (CS, ESAs and OFS) and the targeted element of ES, made significant progress in improving the ecological condition of the highest value sites (Sites of Special Scientific Interest or SSSIs). Across the SSSI series (which includes all land-based Natura 2000 sites) the proportion of sites in target ecological condition has improved from 50% in 2000 to over 72% in 2006, following agreements made under agri-environment schemes under the first England Rural Development Programme 2000-2006 (as modified). These improvements need to be sustained and further improvements made during the years to come.

209. Through ESAs and CS, and the broad-based elements of ES, the England Rural Development Programme 2000-2006 had also started to redress some of the wider deterioration in the farmed environment. It is, however, only since the introduction of ES in 2005 that the scale of the response has started to come close to matching the scale of the need. Changes to the farmland bird index in recent years suggest that the decline in the populations of at least some farmland bird species may have been halted, but there is

as yet no evidence of a recovery. Continued large scale intervention would appear to be necessary during the next programme period.

210. Successive reforms of the CAP have done much to remove the forces that drove the degradation of the rural environment in England, but there is still much to do to restore the losses and then maintain the gains. There is no sign that market forces alone can yet ensure that this will happen on a sufficient scale. Large-scale provision of incentives for positive environmental management is still therefore necessary.

211. The Rural Development Programme for England 2007-2013 will build on the achievements of the previous Programme, using ELS and, from 2010, Uplands ELS to continue to improve the quality of the wider farmed environment, OELS to secure the additional environmental benefits associated with organic farming and HLS to continue to concentrate resources on the most valuable features with the most complex requirements.

212. Article 39 of Council Regulation 1698/2005 provides for support to be granted for measures targeting the sustainable use of agricultural land through agri-environment payments. The Community Strategic Guidelines for Rural Development 2007-2013 (Council Decision 2006/144 of 20 February 2006), include, inter alia, measures for improving the environment and the countryside. In particular, the guidelines provide for measures that will protect and enhance the natural resources and landscapes in rural areas that contribute to three EU priority areas:

- biodiversity, and the preservation and development of high nature farming, including organic farming, and conservation of traditional agricultural landscapes;
- water, and
- climate change.

213. All these aspects are included within the current scope and design of ES. ES will remain the principal agri-environment mechanism to deliver these priorities in England, although existing agreements made under the old agri-environment schemes approved under the England Rural Development Programme 2000-2006 continue to make a positive contribution and will continue until these agreements expire. Since these priorities are also incorporated within Article 16a of Regulation 1698/2005, as amended following the CAP Health Check to take account of the 'new challenges', ES will also be the principal mechanism to deliver the new challenges.

5.2.2.2 Objectives of the Measure

214. The specific primary objectives of ES reflect two of the three EU priority areas referred to above. These primary objectives are:

- the conservation of natural wildlife (on farmland, both in protected areas and the wider countryside);
- natural resource protection (focusing on the management of soil and water).
- the adaptation of farming methods around features on farmed land, to enhance biodiversity and resource protection;
- the maintenance of landscape quality and character;
- the promotion of public access and understanding (this element of the scheme is described in measure 313);

215. In addition, the HLS strand will address the following as secondary objectives:

- flood management - where it contributes to wetland and coastal habitat management;
- genetic conservation.

216. Scheme design ensures that wherever possible agreements with farmers under ES will benefit a range of these objectives in an integrated fashion. A small number of ES options fall within the objectives of Axis 3 of the Rural Development Regulation, but this

distinction will not be apparent to land managers who join the scheme. Secondary objectives will only be covered by agreements where they are complementary to the delivery of one or more of the primary objectives and therefore will not form the sole basis of an agreement.

217. The third of the EU priority areas, responding to the challenge of climate change, is covered through an overarching climate change theme of ES. Through meeting the scheme objectives, outlined in paragraphs 200 and 201, above ES will:

- Support the adaptation of the natural environment to climate change;
- Enhance the contribution of agriculture and land management to climate change mitigation, for example by reducing greenhouse gas emissions, and providing and protecting carbon storage.

218. Research suggests ES, as currently designed, makes a positive contribution to both climate change mitigation and adaptation. Further work is underway to identify additional opportunities to increase this contribution. Targets for climate change, which correspond with existing targets in the Programme, will be developed.

219. Research has shown that the scheme already includes many options that will contribute to reducing greenhouse gas emissions from agriculture (e.g. livestock extensification, input reduction, restoration of peat bogs). In addition to reducing greenhouse gas emissions, ES plays an important part in mitigating the effects of climate change on biodiversity and assisting the adaptation of the farmed environment to changing conditions. Many remaining areas of high biodiversity value are very fragmented. ES has the potential to be a key mechanism for facilitating their adaptation to climate change by helping to buffer them and by providing or maintaining corridors and stepping-stones between them.

220. ES was designed as a flexible instrument that could contribute significantly to the management of the Natura 2000 network; the Goteborg commitment to reverse biodiversity decline by 2010; the Water Framework Directive and the Kyoto Protocol targets for climate change mitigation. The scheme will be regularly assessed to take account of developments in environmental science on such issues as diffuse pollution and climate change. Existing options may be amended or new options drawn up so as to help biodiversity and farming adapt to the changing times.

221. Within these broad overall objectives, additional steps will be taken to ensure that the HLS element is targeted where it can make the optimum contribution. This will involve a two-stage process. The first stage will be to develop more detailed national priorities for HLS; the second will be to translate these into a series of local targeting statements. These will ensure that HLS is appropriately targeted at local level whilst remaining focused on national priorities.

5.2.2.3 Scope and Actions

Description of Environmental Stewardship (ES)

222. ES is a voluntary scheme and offers payments to land managers who agree to manage their land for the positive benefit of several objectives. As explained above, it consists of three separate elements, Entry Level Stewardship (ELS), Organic Entry Level Stewardship (OELS), Higher Level Stewardship (HLS) and, from 2010, Uplands Entry Level Stewardship (Uplands ELS). Since ES is a 'whole farm' scheme, applicants are normally required as a first step to enter all their land into ELS, OELS or in the SDA Uplands ELS, and then, throughout England where there is a need for more focussed management, to enter the appropriate part of their land into HLS.

ELS

223. ELS supports a wide range of basic environmental management options designed to deliver the primary ES objectives. ELS aims to tackle environmental issues affecting the wider countryside such as diffuse pollution, soil erosion and the conservation of farmland birds, by encouraging the majority of farmers in England to apply to enter all their land into the scheme. In return for a payment per hectare, farmers undertake to carry out simple but effective environmental management on their land. To receive payment, they choose from a range of environmental management options suitable for their type of farm.

OELS

224. OELS requires delivery of the range of management options required by ELS, adjusted as required to fit with organic management, as well as delivery of the wider benefits arising from managing land in accordance with the standards set out in Council Regulation 2092/91 (as amended) but is only available to farmers and land managers who are registered with an organic inspection body in accordance with Regulation 2092/91.

225. In order to secure wider delivery of the environmental gains delivered by organic farming by getting more farmers into the sector, additional aid is also available as part of an OELS agreement for those farmers who wish to convert conventionally farmed improved land and establish top fruit orchards to organic production. This is to offset the substantial reduction in income during the organic conversion when farmers have to comply with organic standards but cannot market their produce as organic. Where conversion aid is paid, it is paid over the first two years of the OELS agreement for all crops except for top fruit orchards, where the aid is paid over the first 3 years of the agreement. .

226. OELS applicants are also required to choose management options from a range similar to that offered to ELS entrants, but geared specifically towards further improving the environmental performance of organic farming systems.

227. Applicants who have both organic and conventional land can apply for an OELS agreement on their organic land and an ELS agreement on their conventional land as part of one whole farm OELS agreement.

Uplands ELS

228. Uplands ELS is a supplementary strand of Environmental Stewardship targeted at England's upland areas within the SDA. The objective of Uplands ELS is to secure public goods on a landscape scale additional to those delivered by ELS by encouraging large numbers of upland farmers and land managers to deliver simple yet effective environmental management in the uplands. This is in recognition of the significance of these areas to delivery of a wide range of public benefits and the critical role that farmers and land managers continue to play in this, in particular as a result of extensive livestock grazing.

229. Uplands ELS recognises the additional environmental and landscape value of the SDA, and the extra cost of providing public benefits in this area. In return for a payment per hectare farmers will have to meet a series of requirements and then choose from a range of environmental options suitable for their type of farm.

230. If taken up across large areas of the uplands, Uplands ELS will contribute to the delivery of ES objectives by addressing upland resource protection (including water quality and soil erosion), the condition of upland habitats and biodiversity, the character of the upland landscape and the historic environment,[? conservation,] and climate change mitigation and adaptation.

231. Uplands ELS adds uplands-specific requirements and options to the existing range of ELS options. Farmers will have the option of incorporating Organic ELS into their

Uplands ELS agreements. In these cases farmers would choose how much of their land to enter into OELS; on that land they would then be able to choose from any of the OELS options, as well as the Uplands ELS options. These agreements would be known as 'Uplands OELS' agreements. Organically farmed land in an Uplands OELS agreement would have a higher points threshold and, accordingly, a higher payment rate, than conventionally farmed land.

HLS

232. HLS supports more demanding management options (see Annex 2 to Chapter 5, Appendix II) that will, in turn, deliver higher environmental benefits. HLS is more focussed than ELS/OELS and is aimed at farmers in target areas and/or on land containing target features and, in particular Natura 2000 sites. Within a national framework, these targets are defined at regional level within England, according to the particular regional priorities. In addition, HLS offers support for a range of capital items that contribute to achieving the objectives of the scheme.

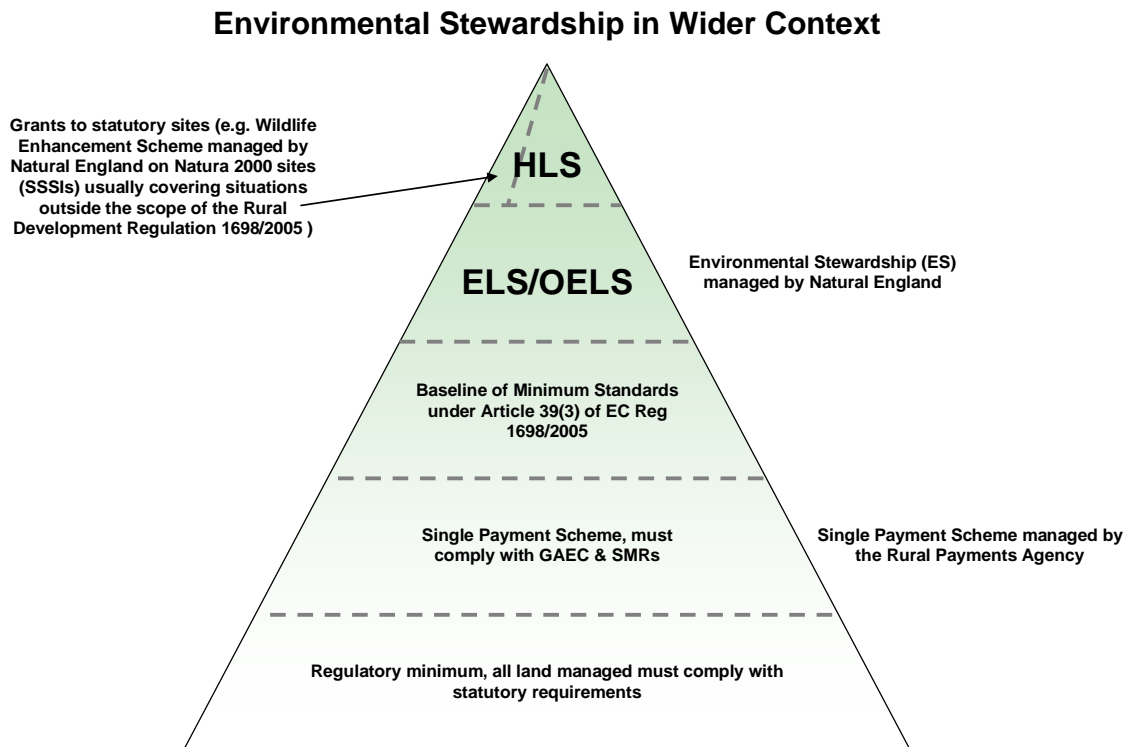
233. As ES requires the whole of the farm to be entered into agreement, in all but a few exceptional cases, applicants also have to have an ELS/OELS agreement on their land, which will be combined to form a joint ES agreement incorporating both HLS and ELS/OELS. This general principle encourages the farmer to carry out beneficial management on a wider part of his farm than that covered by the HLS options. Occasional exceptions to this may be made where the land may not be suitable for entry into ELS/OELS (e.g. creation of wetland) and in these cases, ES agreements formed solely of HLS options will be permitted.

234. HLS is also intended to be used in a few cases where the management requirements are relatively straightforward, but where the proposed ELS options are insufficient to secure a sufficient density of management to support the HLS management. To cover these situations, HLS also has the facility for agreements to contain additional options.

235. This is the case in the Isles of Scilly where options purely for that location have been designed to be used because of the unique, highly valued and historic nature of the landscape and climate. This has fostered a very different farming style compared to the rest of England with much smaller farms and field sizes.

236. The scheme will be administered by Natural England (NE). This new agency was established on 1 October 2006 by the Natural Environment and Rural Communities Act 2006. Figure 5-1 below indicates how ELS/OELS and HLS build on the other requirements facing farmers and land managers.

Figure 5-1



Closed Schemes

237. CS and ESAs were closed to new applications in 2004, and the Habitat Scheme in 1999, but all will continue until existing agreements expire. At the end of this period, agreement holders will be encouraged to transfer their land into ES. These schemes will be managed to ensure that their important biodiversity and other objectives are sustained, particularly in respect of the Schemes' major contributions to meeting important BAP targets.

5.2.2.4 Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 1782/2003

238. As required under Article 39(3) of Regulation 1698/2005, from 1 January 2007 new agreement holders are required to meet the English standards of Good Agricultural and Environmental Condition (GAEC) and comply with a number of Statutory Management Requirements (SMR) relating to the environment, public and plant health, animal health and welfare, and livestock identification and tracing. A list of the standards of GAEC and SMRs currently in force is included in Annex 2 to Chapter 5, Appendix VII. Changes in cross compliance requirements agreed as part of the CAP Health Check have been introduced from 1 January 2010. These changes have been incorporated into the requirements of ES but will not affect the agri-environment baseline.

The Nitrates Action Programme

239. The current England baseline for nitrates complies with Regulation (EC) No 1782/2003 and is contained in SMR4. Following extensive bilateral discussion with the Commission and public consultation, England has drawn up a revised Nitrates Action Programme, which came into force on 1 January 2009 and forms the new requirement in cross compliance – SMR4. This means that payments will only be made for management

which goes beyond the revised Nitrates Action Programme requirements in full accordance with the provisions of Article 39(3) of Council Regulation 1968/2005.

Crop rotation/minimum land use

240. Article 5 of Article 5 of EC Regulation 1782/2003 read with Annex IV requires crop rotations, as a means of maintaining soil organic matter levels, "where applicable". The range of land uses and differing soil types in England mean that crop rotation is not necessarily the most appropriate means of maintaining these levels. In England, it is a cross compliance requirement that farmers consider the best means of addressing the three soil related problems in Annex IV, including soil organic matter levels, by completing a risk-based soil plan (the 'Soil Protection Review') which requires the identification of risks on their land and the selection of measures to address these risks having regard to Soils Guidance for cross compliance. Once they have selected the appropriate measures, they are required to implement them as part of their Soil Protection Review. The Soils Guidance for cross compliance recommends that for intensively cropped soils where organic matter decline may be an issue, farmers should consider the introduction of grass leys or other crops into their rotation to address the issue. If it appears to the competent authority that farmers have not chosen mechanisms that are appropriate for their farm, they can be given specific guidance or binding directions.

241. In accordance with the provisions of Article 39 (3) of Council Regulation 1698/2005, agri-environment payments are made only for management which goes beyond the required Soil Protection Review.

Avoiding land abandonment and scrubbing up

242. For land not in agricultural production, there is a general cross compliance requirement under GAEC 12 to address the risk that land abandonment could lead to the spread of scrub that would be difficult to remove, therefore making it difficult to bring the land back into production. GAEC 12 requires land not in agricultural production to be cut or grazed once every 5 years, but with no more than 50% cutting/removal of vegetation in years 4 or 5. In accordance with the provisions of Article 39 (3) of Council Regulation 1698/2005, agri-environment payments are made only for management, which goes beyond GAEC 12.

Undergrazing/minimum stocking rates

243. In England, there is a wide range of differing environments, and putting in place a single national cross compliance standard for undergrazing would not be appropriate. However, undergrazing is being monitored nationally to see if it is occurring on any major scale and, if so, whether cross compliance measures need to be put in place. Evidence available so far indicates that existing measures are effective.

244. However, notwithstanding any cross compliance requirements under Article 39(3) of 1698/2005, with Environmental Stewardship agreements approved under the RDPE there will be an additional (unpaid) requirement to avoid undergrazing - this has been carried forward from the standards of Good Farming Practice (GFP) requirements already applied to agreements under the ERDP. The requirement applying to RDPE agreements will be -

'Stock should be distributed across your farm to ensure that under-utilisation is avoided: this is defined as where annual growth is not being fully utilised, or where scrub or coarse vegetation is becoming evident, and this is detrimental to the environmental interests of

the site. Cases of suspected undergrazing will be investigated and failure to follow subsequent professional advice would be a breach of your agreement.'

245. In accordance with the provisions of Article 39 (3) of Council Regulation 1698/2005, agri-environment payments are made only for management, which goes beyond the requirement to avoid under-utilisation.

Minimum Stocking rates

246. Uplands ELS is the only form of ES agreement to go beyond this by putting in place an explicit minimum stocking rate. Farmers entering Uplands ELS must ensure that on all moorland parcels they maintain a minimum stocking rate of 0.05 livestock units (LU) per hectare between 1st June and 30th September. This requirement includes the following details:

- Grazing livestock must be acclimatised to the conditions of the moor;
- Sheep must consist of hardy native breeds or their crosses.

In addition, on common land, sheep must consist of hefted, self-maintained flocks. These requirements are designed to retain viable traditional farming systems for moorland conditions, by ensuring that agreement holders have an effective stocking regime in place, using appropriate types of stock. They will play an important role in maintaining the character of the moorland landscape and will benefit a wide range of environmental features beyond the protection afforded under cross-compliance. These requirements will also play an important role in terms of genetic conservation.

247. Other ES agreements have no minimum stocking rate, bearing in mind the general requirement to avoid under-utilisation, as set out above.

248. However, for agreement holders with grassland management options, a stocking density will be specified in agreements in accordance with Article 27(2) of Commission Regulation 1974/2006 (details are set out at Appendix III of Annex 2 to Chapter 5).

249. In accordance with the provisions of Article 39 (3) of Council Regulation 1698/2005, agri-environment payments are made only for management, which goes beyond the requirements of Article 27(2).

Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities

ELS

250. The broad aims of the scheme as described above were first tested under the Entry Level Pilot Scheme. Based on evidence from the Pilot Scheme evaluation, ELS is specifically aimed at the conservation of natural wildlife, the adaptation of farming methods around specific features on farmed land to enhance biodiversity and resource protection, maintenance of landscape quality and character and natural resource protection on a broad scale. ELS does not target specific categories of landscape under these objectives, but is designed to tackle particular countryside problems e.g. improving water quality by tackling diffuse pollution which cannot be resolved completely by focussing on relatively small and isolated areas of the countryside. ELS aims for a high uptake of a broad range of basic environmental management activities by farmers across England in order to tackle the type of problems listed below.

251. **Conservation of natural wildlife on farmland** – tackling loss of biodiversity: ELS includes management options that will tackle declines in dispersed wildlife species such as farmland birds, brown hares, bats and many common invertebrates (e.g. butterflies and bees). These management activities are most successful when spread across a wide area. Small patches of habitat lose some of their value if they are isolated from other similar areas, and important wildlife habitats can be directly influenced by what happens on the surrounding land. ELS aims to improve the extent to which they can be buffered from the negative effects of intensive agriculture.

252. **The adaptation of farming methods around specific features on farmed land, to enhance biodiversity and resource protection.** ELS management options focused on specific features that are identifiable to the land manager (such as ridge and furrow grassland) deliver a wide range of environmental outcomes.

253. **Maintenance of landscape quality** – tackling loss of landscape character. ELS's management options allow a countrywide approach, which will consistently influence what happens across large tracts of the countryside, helping to avoid the fragmentation of traditional landscape patterns such as connected hedgerow systems and stone walls.

254. **Natural resource protection** – tackling diffuse pollution and conserving soils. Diffuse pollution is now considered a larger threat to river quality than point source pollution. There is a need to encourage farmers to go beyond mandatory requirements. ELS includes a series of management options – such as 6m buffers next to water - which will encourage high standards of soil conservation, reduce nutrient leaching and help prepare for the implementation of the Water Framework Directive. ELS has the potential to address large scale problems such as these by applying environmental management measures over a substantial proportion of the total area of farmed land.

255. **Climate change mitigation and adaptation** - Research has shown that the way the scheme has been designed, to encourage low-input agriculture and reduce grazing intensity and therefore decreased emissions of nitrous oxide and methane, means that overall the scheme has a positive impact on climate change mitigation, though the scale of this contribution is hard to quantify. By maintaining a network of hedgerows, field margins and small patches of habitat on farmland, the scheme will also be maintaining and enhancing wildlife corridors. These may help plant and animal species adapt to changing conditions, though this is another area where more research is needed, and is indeed already in progress.

256. A wide range of land management options is available under ELS to enable it to meet these aims. The options are devised to be straightforward for farmers to understand and ELS is designed to be simple to administer and monitor so that it will be possible to apply the provisions over a large area. A list of management options is provided in Annex 2 to Chapter 5, Appendix II.

OELS

257. OELS supports the same environmental objectives as ELS (see above).

258. Organic farming, governed by Council Regulation 2092/91 (as amended) which establishes Community standards for the production and marketing of organic produce, provides a mechanism for delivering significant environmental gains. Independent research funded by Defra²⁵ has shown that organic farming generally scores better than conventional farming systems in terms of biodiversity, soil quality, levels of nitrate in water, pesticide pollution, carbon dioxide emissions, energy efficiency, nutrient balance and controlled waste. However, the same Defra funded research shows that organic farming is not by itself an environmental panacea. For that reason, OELS offers a similarly wide

²⁵ Shepherd M. et al. 2003. An assessment of the environmental impacts of organic farming, Defra, ADAS, Elm Farm Research Council & IGER.

range of land management options as ELS, geared towards further increasing the environmental benefits which organic farming can provide. .

259. Under OELS farmers earn a higher rate of management payment on their eligible organic land compared to conventional ELS farmers, in recognition of the extra environmental benefits delivered by organic farming systems. A list of management options is provided in Annex 2 to Chapter 5, Appendix II.

260. Aid is also paid for converting to organic farming parcels of conventionally managed improved land and established top fruit orchards (pears, plums, cherries and apples, excluding cider apples) in addition to the ongoing OELS payment for land management.

261. OELS aims to maintain the area already under organic management in England in order to ensure the continued delivery of biodiversity, resource protection, landscape and environmental benefits. It also aims to encourage the continued expansion of land under organic production, through conversion aid.

262. Uptake of conversion aid top-ups will be monitored closely by sector and the aid may be withdrawn if it generates undue budgetary pressure or if uptake by a particular production sector is likely to give rise to market distortion.

Uplands ELS

263. Uplands ELS supports the same core environmental objectives as ELS (see above).

264. The English Uplands (in the SDA) are internationally recognised for their biodiversity, as well as their significant landscape, archaeological, recreational, economic²⁶, cultural and natural resource values. Farming, through the extensive livestock grazing of both cattle and sheep, has played a crucial role in shaping the upland landscape.

265. Under Uplands ELS farmers earn a higher rate of management payment on their eligible land compared to ELS farmers in recognition of the extra environmental benefits that may be delivered by uplands farmers and the additional resource costs involved in the provision of public benefits in the SDA.

266. Unlike ELS, Uplands ELS has land management requirements that farmers must meet in order to enter an agreement. This is because Uplands ELS has some very specific objectives relating to the SDA, such as ensuring the continued presence of hefted sheep on moorland. Meeting these objectives means ensuring a high level of uptake across the SDA. An 'option-only' scheme would not enable us to do this as effectively. A list of the requirements can be found at Annex 2 to Chapter 5, Appendix 2.

267. In addition to meeting the requirements, farmers will be able to choose from a menu of both existing ELS options and new Uplands ELS options. These options are listed at Annex 2 to Chapter 5, Appendix 2.

HLS

268. As stated earlier, HLS offers a wide range of annual management options that support the full range of options included in Annex 2 to Chapter 5, Appendix II. Under this element, a range of capital items is also offered under Article 36(a) (vi) where they are indispensable to support the objectives of the scheme.

269. **Conservation of natural wildlife** – HLS aims to contribute to biodiversity conservation by fulfilling our obligations for Natura 2000 sites under the Habitats Directive to bring sites into favourable condition by 2010; achieving UK Biodiversity Action Plans (BAP) targets as set out in the UK Habitat Action Plans and contributing to wider biodiversity conservation, including at a landscape scale. HLS maintains, restores (or re-

²⁶ Including the contribution to tourism and the wider rural economy

creates, depending on the priority) many varied habitats including grassland with high existing or potential value for a variety of plants, woodland ecosystems, scrub, withy and osier beds, small farm woodlands, and woody habitat mosaics, wetlands and washlands and vulnerable inter-tidal and coastal habitats.

270. HLS seeks to extend, link or buffer high value sites; maintain and restore habitat mosaics and interfaces between habitats, to encourage habitat dynamism; and maintain and, where possible, increase the populations and range of species of conservation importance, especially UK BAP Priority species. The main emphasis of HLS is on maintenance of existing high value sites and restoration. Creation work will be limited to sites with high potential. This includes designated sites needing to be restored or brought into favourable ecological condition as a priority. This directly benefits Natura 2000 sites that constitute about 75% of English SSSI land.

271. The adaptation of farming methods around specific features on farmed land, to enhance biodiversity and resource protection – A continuing major risk to some key environmental features is from intensification and restructuring of farming practices. Options are designed to conserve special features that contribute to the biodiversity, resource protection and the traditional character of farmed land. These options will be targeted at important assets under threat, especially in arable or wetland landscapes, and in other areas vulnerable to change from modern farming methods. These actions are complementary to obligations set out in The European Landscape Convention.

272. Maintenance and enhancement of landscape quality and character – HLS addresses landscape objectives at the farm, or larger scale, rather than through separate specific landscape options. It aims to influence landscape character, through the condition of its characteristic features. This approach includes designed and special landscapes of international, national and local importance, especially parkland structures, boundaries and associated features at the holding level; and area scale characteristics of landscapes exhibiting mixed crop patterns and vegetation mosaics.

273. In some cases, traditional farm buildings are an important part of the landscape character. Higher Level Stewardship supports the restoration and Entry Level Stewardship the maintenance of these features. This activity is funded under measure 323 in Axis 3. However, the option is available as part of Environmental Stewardship, to ensure that we take an integrated approach that maximises the synergies between actions on farm.

274. Promotion of public access and understanding of the countryside - Measures in this category are an integrated part of farmland management and help promote the success of agri-environment measures to a wider audience. They are however a non-agricultural de minimis state aid in accordance with Regulation 1998/2006. Further details on exactly what is offered are provided under measure 313. Specific options for access will not be mandatory in any agreement, but public access is an important component of the general scheme conditions, which include a requirement to maintain statutory public rights of way and open access land free of obstruction in accordance with existing legal obligations.

275. Natural resource protection – HLS will offer a range of management options and capital items that can be used to protect our natural resources by addressing diffuse water pollution and reducing losses to the environment of soil, nutrients, organic manures and wastes including protecting soils vulnerable to compaction and/or erosion. Examples include options for:

- reducing soil compaction, surface run off and nutrient leaching in areas of improved grassland with a high risk of soil erosion or run off by restricting grazing, supplementary feeding and fertiliser application;

- the seasonal removal of cattle in areas prone to waterlogging, compaction or poaching;
- encouraging areas of arable land with a history of severe soil erosion to revert to unfertilised permanent pasture.

276. In particular, ES will focus on implementing, in England, UK obligations under the Water Framework Directive. Options developed primarily for resource protection will usually be targeted at key locations within high priority catchments to protect vulnerable sites of international importance or at localised areas with particular resource protection problems. This targeting will take full account of individual River Basin Management Plans, once they are known. Other options will assist in more general resource protection throughout the farmed landscape.

277. **Climate change mitigation and adaptation** – HLS will also contribute to decreased emissions of nitrous oxide and methane by encouraging low-input agriculture and reduce grazing intensity. It will contribute to carbon sequestration through the maintenance or enhancement of peat bogs and will also play an important part in assisting the adaptation of the natural environment to changing conditions. For example, the restoration of wetland habitats or the creation of saltmarsh in coastal areas will help to build more resilient ecosystems, which in turn will be less vulnerable to the impacts of climate change including the expected rise in sea levels.

278. **Flood Management, where it contributes to wetland and coastal habitat management** – HLS supports flood alleviation as a secondary objective through changes in land use and land management by increasing water storage at both the field and catchment level, but only where this contributes to biodiversity objectives, such as water meadow creation. It also offers land management options, which improve soil structure and infiltration, and preserve or re-create wetland habitats, moorland, heathland, bogs and wet woodlands. At the coast, it encourages the re-instatement of natural buffering against wave energy by offering options for the restoration of saltmarshes and associated inter-tidal habitats. Options relating to flood management must contribute to one or more of the scheme's primary objectives so there will be no agreements with flood management as the main objective.

279. **Genetic conservation** – HLS assists in the conservation of the genetic diversity of indigenous wild flora, indigenous, locally adapted, hardy and rare breeds of sheep, cattle, goats, pigs and equines; and traditional fruit tree varieties in traditional orchards as a secondary objective. Options relating to conservation of genetic resources can only be included in an agreement where they also contribute to one or more of the scheme's primary objectives. In particular, for farmed livestock, options supporting the aims and objectives of the UK's National Plan on Farm Animal Genetic Resources (FAnGR) will be encouraged.

280. The National Action Plan has been produced by the National Steering Committee (NSC) for FAnGR - an independent advisory committee with participation from Scotland, Wales and Northern Ireland, and has representation from eminent animal geneticists, experts in conservation management, conservation Non-Government Organisations and mainstream species associations. The NSC provides Defra with technical advice on policy areas affecting FAnGR, and the National Action Plan includes implementing and advising on mechanisms to identify breeds at risk. The list of the native breeds at risk used in conservation work is attached at Annex 2 to Chapter 5, Appendix III.

Contribution to Natura 2000/Biodiversity Action Plans

281. The UK Government has an overarching Biodiversity Strategy with three key strands for England:

- bringing 95% of SSSI land into favourable condition (as defined in Section 3.1) by 2010;

- protecting and enhancing farmland bird populations;
- delivery of BAP Targets for priority habitats and species.

282. All designated Natura 2000 sites are included within the SSSI network. Securing favourable conservation status of European protected species and habitats is dependent on effective protection and management of the SSSI site network and environmentally sensitive management of the landscape between sites. All SSSI (including Natura 2000) sites have been examined and an agreed action plan has been put in place for each of the designated sites which identifies what, if any, remedial action that needs to be taken, so as to improve the ecological condition of these sites by 2010. ES will be the primary mechanism for improving the ecological condition of the SSSI Network (including Natura 2000) sites. For land which goes outside the scope of Article 36(a)(iv) and Article 39 of Council Regulation 1698/2005, application will be made to use state aid funds. By using these two mechanisms it will not be necessary to use the provisions of Article 36(a)(iii) to support Natura 2000 sites.

283. ES has been designed to deliver biodiversity benefits in an integrated way alongside other environmental objectives. ELS and OELS have a key role in the wider landscape, supporting species movement between sites and encouraging environmentally sustainable management across a large area of England and therefore will have a key role in improving habitats for farmland birds and enhancing ecological cohesion and connectivity. Uplands ELS will play a similar role in the SDA uplands areas which are of particular importance because of their biodiversity and habitat value. HLS is specifically designed to maintain, restore and re-create terrestrial habitats and also enables habitats to be managed for target species. It will be targeted at the SSSI network and other priority habitats.

284. Existing ESA, CS, Habitat Scheme and Organic Farming [any still left?] agreements will continue to make significant contributions to the biodiversity targets.

5.2.2.5 Length of undertaking

285. The details and length of the undertaking are given in each agreement and the scheme literature. Each agreement will contain a review clause for 2013 taking account of EU decisions on a successor to Council Regulation 1698/2005. Agreement holders undertake to fulfil their obligations for the full term of an agreement, subject to the review in 2013. Where the agreement holder is unable to meet the terms of the agreement for the full period they will have the agreement terminated prematurely and may be liable to recovery of payments.

ELS, OELS and Uplands ELS

286. ELS and OELS aim for a high uptake of a broad range of basic environmental management activities by farmers across the country, in order to tackle countrywide environmental problems such as diffuse pollution. To encourage the required high level of uptake, ELS/OELS undertakings will run for five years. The management required is relatively straightforward and designed to deliver environmental benefits within the five years.

287. Uplands ELS has slightly more targeted aims, focusing, as it does, solely on the SDA, but will operate in the same manner, with a five year undertaking.

288. Where an OELS agreement holder also applies for organic conversion aid they will be expected to have completed the organic conversion of the relevant land parcels by the end of the agreement (i.e. within 5 years).

HLS

289. HLS undertakings will, in most cases, subject to the review in 2013, run for ten years because of the more detailed and complex nature of the agreement and the need to

deliver significant environmental benefit. Experience of running agri-environment schemes since 1987 suggests that action over ten years is the minimum required to deliver the required environmental benefits, but in many cases ten years is often insufficient to create or restore the habitats that we desire. For example, on land with low inputs e.g. heather moorland or species rich grassland it may take many years to restore the ecological condition of the land. In these circumstances, the policy is to encourage agreement holders to renew their agreements for a further ten-year period. In accordance with the provisions of Article 39(3), agreements for 10 years will be offered, except as mentioned in the paragraph below.

290. In most cases, both NE and the agreement holder will have the opportunity to withdraw from the agreement at the end of the fifth year without penalty, provided that written notice is given no later than a month in advance of the end of the fifth year of the agreement. This provides the opportunity for the contract to be ended if it is not working for either party, thereby avoiding further public funds being spent under an agreement that is not going to deliver positive outcomes. In some circumstances, this opportunity to withdraw will not be available and the agreement document, signed by the farmer, will stipulate this. This would apply for some agreements that contain particularly expensive capital items and/or management options aimed at creating complex habitats that require a long-term commitment. In the case of the re-creation of inter-tidal and saline habitat, a small number of twenty-year agreements may be undertaken where the aim is to mitigate the effects of the rise in sea levels by realigning the coastline and creating valuable saltmarsh and mudflat habitat. These are justified because the management will result in an irreversible change in land use (e.g. the creation of inter-tidal habitats) and it is appropriate to give a longer commitment in return for this permanent impact on the land. With twenty-year agreements, which are particularly expensive and seek to deliver long-term changes, we would not normally give the option to withdraw. However, should an agreement be terminated prematurely by the agreement holder, we would recover relevant payments. The long commitment period does not presuppose continued Community co-financing of the yearly payments on such contracts after the end of the programme period 2007-2013, so the terms of such agreements may need to be reviewed beyond 2013.

291. Where ELS/OELS/Uplands ELS management is combined with HLS, the ELS/OELS/Uplands ELS element also runs for the life of the HLS agreement rather than the normal five-year period in order to maintain the integrity of the agreement. An ELS/OELS/Uplands ELS agreement holder who applies for HLS part way through his existing agreement will, if his HLS application is successful, restart the ELS/OELS/Uplands ELS element of the agreement on the start date of the HLS element so that both elements run concurrently.

292. Each HLS agreement may include one or more capital works plan lasting 1, 2 or 3 years. A Schedule specifies the work items that have to be completed in each year of the plan. The works described in these plans will be funded under the Support for Non-productive Investments Measure (article 41 of 1698/2005 measure 216).

293. HLS agreements may occasionally also require single year feasibility studies and management plans, for example, in carrying out modelling work for the inundation of grassland and creation of saltmarsh.

5.2.2.6 ES Payment Rates and Income Foregone Calculations

294. Payment rates for the scheme are set in the light of calculations of Income Foregone (IF) and costs incurred by farmers/land managers in complying with the particular options and of any transaction costs incurred. Points and payment rates have been set in accordance with Article 27(8) of Commission Regulation 1974/2006. Most payment rates are set below 100% of the IF. Payment rates will be examined at regular intervals over the programme period.

295. The calculation of income foregone for agri-environment schemes is fully supported by detailed information on the basis of all the data used. All the figures can be traced back to the elements, such as farming systems, enterprise performance and costs. This data has been made available to the independent verifiers and has been submitted to the Commission services.

Expertise

296. The personnel involved in the preparation of the ES IF calculations were selected from Natural England's advisers on the basis of their agricultural and farm business qualifications, knowledge and experience. The majority of the team of advisers have been involved in the preparation of agri-environment scheme IF calculations for a number of years and therefore have considerable experience. They all received refresher training in the specific techniques involved in IF calculations prior to carrying out the work. Their individual expertise and specialisms were matched wherever possible to the ES option categories to ensure that their expertise could be used to maximum effect.

297. The calculations of IF for Defra's agri-environment schemes are fully supported by detailed information on the basis of all the figures used. Thus, all the figures in the summarised partial budget can be traced back to the elements, such as farming systems, enterprise performance and costs. This data has been made available to the independent verifiers. Further details about the process of independent verification are provided below.

Source of the figures

298. NE agricultural business specialists used their knowledge of the local, regional, European and world markets to derive the data for the income-foregone calculations. Where appropriate, this is based on a forecast of average output prices expected over the period that the payments would be offered. They consulted widely amongst industry analysts employed by marketing organisations and the trade. Performance data are derived from a range of scientific research and empirical evidence.

Regionalisation

299. The maximum ES payments and underlying IF calculations are not regionalised. However, the majority of the options are targeted at particular land use types and the farming systems and performance.

Fixed Costs

300. Costs associated with machinery or installations needed for specific commitments which may be supported under Article 41 of Reg. (EC) No 1698/2005 are excluded from the calculation of IF. However, marginal changes in machinery running costs, which according to many definitions are defined as fixed costs, are included to reflect the reduction in costs associated with the cessation of certain activities. Equally, additional labour and machinery charges are included to allow for the costs of additional activities required or implied by the option prescriptions.

ELS

301. For ELS, there will be a single, standard payment rate per ha which will be the same across England, but with a lower payment rate for land in parcels of 15ha or more within the SDA moorland line, because there are only a limited number of management options for this type of land within the scheme. The general rate is £30 per hectare, with the lower rate of £8 per ha on land parcels of 15ha or more above the SDA Moorland Line. For Uplands ELS the payment rates are different see section 304.

OELS

302. For OELS, there is a single, standard payment rate which will be the same across England set at £60 per ha for all eligible land. Conventional land parcels in an ELS/OELS agreement will be paid at £30 per ha. Organic land in parcels of 15 ha or more within the

within the SDA Moorland Line are not eligible for the £60/ha payment rate and will attract the normal ELS/Uplands ELS rate of £8/£23ha.

303. There will also be a top-up payment for land undergoing organic conversion. There will be two payment rates according to the types of land entered into conversion under OELS: a lower rate of £175 per ha /per annum over 2 years for improved land and a higher rate of £600 per ha/per annum over 3 years for conversion of established top fruit orchards. The payments are based on IF and additional costs incurred in complying with the terms of the scheme.

Uplands ELS

304. Uplands ELS will incorporate ELS options, so Uplands ELS payment rates will include the underlying ELS payment rates. This is illustrated in the table below, which shows the payment rates under Uplands ELS. On moorland parcels of 15 hectares or more the payment rate will be £23/hectare; on all other SDA land, the payment rate will be £62/hectare.

Land category	Existing ELS payment rate per ha (£)	New Uplands ELS payment rate per hectare (includes existing ELS rate) (£)
SDA moorland parcels 15ha & above	8	23
SDA moorland parcels below 15ha	30	62
SDA land below the Moorland Line	30	62

305. Organically farmed land in an 'Uplands OELS' agreement would have a higher points threshold and, accordingly, a higher payment rate, than conventionally farmed land, as it would incorporate the OELS payment rates. SDA land below the moorland line and moorland parcels of less than 15ha entered into Uplands OELS would have a payment rate of £92 per ha. Organic land in parcels of 15 ha or more within the within the SDA Moorland Line are not eligible for the £60/ha organic payment and will incorporate the normal ELS rate of £8/ha. Common land is not eligible for organic payments (see para 353).

HLS

306. HLS agreements will be paid according to the payment rate for each option included in the agreement, and the area/length/number of the option selected. Where an HLS option is underpinned by an ELS/OELS option on the same land the payment received under ELS/OELS for that area (£1 equating to one point) will be deducted from the HLS payment to avoid paying for the same management twice. The total paid for that option on the land parcel would therefore be the same, whether the HLS option is underpinned or not.

307. Maximum rates offered for each option under HLS will be based on a national IF calculation. These have been based on averaged figures across the country.

308. With a scheme that covers the entire area of England, it is not possible to provide standard options for every eventuality through the application of broad land management options. In a few cases, either on a single location or in a specific area, the standard management may be inappropriate for land with very specific qualities and requirements. In such circumstances the agreement of the Commission will be sought in accordance with the procedure in Article 6(1)(c) of Regulation 1974/2006.

Transaction costs

309. Transaction costs have been included in certain circumstances. For example, to meet the cost of technical advice in carrying out Farm Environmental Plans - which are normally required for HLS applications; and to meet the cost of management advice e.g. for carrying out a feasibility project for the creation of inter-tidal habitats. Where transaction costs occur they are identified separately in the specific option calculations.

Evidence to support the consistency and plausibility of the calculations

310. For ELS, OELS and HLS, in accordance with the requirements of Article 48(2) of Commission Regulation 1974 of 2006, an independent organisation, the Royal Agricultural College, was engaged to check the methodology used and calculations for payments of the options drawn up by the agricultural business specialists of NE. The independent verification report confirmed that the calculations on income foregone and costs of the measures were accurate and complied with the requirements of the Regulation.

311. The verification report²⁷ takes account of the market situation as at January 2007. It therefore benefits from the actual position of price movements and trends since the IF calculations were set in mid 2004, though the situation was reviewed by the UK Government and NE in 2006 to take account of the SPS to ensure that the payment rates were still appropriate. The report compared the prices with other known sources of information. In overall terms, it endorses the methodology used by NE in determining the payment rates. It notes that the evidence of price trends since 1994 fully support the price methodology used as a basis to calculate the IF. However, in setting the payment rates the UK Government deliberately set payment rates for ES that were generally well below 100% of IF. Only where there was a significant environmental need, e.g. to meet biodiversity targets, were rates set at 100% of IF. The independent verification report confirmed that the methodology used in drawing up the calculations on income loss, costs foregone and payment rates for the measures were accurate and complied with the requirements of the Regulation.

312. However, the report did note that are some areas where the calculations need to be more transparent and some factors that need to be given greater weight in reviewing the rates. None of the findings are such as to warrant an immediate change to the payment rates. However, the recommendations and findings of the report will be taken on board when next reviewing the payment rates.

313. For Uplands ELS the same independent verifier that assessed the options and payment rates for ELS, OELS and HLS was engaged to check the methodology used and calculations for payments of the options drawn up by the agricultural business specialists of NE. The independent verification report confirmed that the calculations on income foregone and costs of the measures proposed under Uplands ELS were accurate and complied with the requirements of the Regulation.

5.2.2.7 Amounts of Support and Payment Process for ES Agreement Holders

314. A full list of the management options and payment rates available under each of the four elements of ES is attached in Annex 2 to Chapter 5, Appendix II. Details of the ceilings applicable to each option are provided in Annex 2 to Chapter 5, Appendix II with a table at Annex 5, Appendix V, showing those options that exceed the ceiling limit and providing a justification in each case. Because payments under ELS and OELS are fixed at £30 and £60 per hectare respectively there is no risk that payments under these elements of the scheme will exceed the ceiling limits. The same applies for Uplands ELS. Some individual ELS or OELS options are included in Annex 2 to Chapter 5, Appendix V because they are also available as part of HLS agreements and in these circumstances

²⁷ 'Verification of the calculations, methodology and costings used in determining payments for management prescriptions in the Environmental Stewardship Scheme' report for Defra by Dr J. Jones. 2007.

are not subject to the £30 or £60 limit. These do not include any linear management options, so it is not necessary to assign notional areas to these.

Payments for management options

315. Payments for management options under ES are made annually, and are subject to appropriate cross-checks and verification. Agreement holders make a single claim for all their management payments and where appropriate, conversion aid top-up payments at the time of application. Although there is no physical annual claim by the farmer, NE performs effective annual cross checks for all agreements before payments are made, based on information it holds about the agreement, normally contained in the original application for support. In the majority of situations, there will be no change in management during the five years of the ELS/OELS/UELS agreement. Where an amendment is made the agreement will be updated and this will be used as the basis for cross checking and payment. A 50% proportion of the annual amount due to beneficiaries is paid after administrative checks in accordance with Article 9.1 of EU Reg 1975/2006 have been completed satisfactorily. The final proportion of the annual amount due is paid once inspections for that year have been finalised.

316. In each year of the agreement, agreement holders are deemed to make a declaration to verify that the agreed management has been carried out in each of the five years. Under OELS this declaration will be accompanied by a copy of the agreement holders' current certificate of organic registration and land schedules, in order to demonstrate that the land in question has been under organic management for the duration of the agreement.

317. Non-productive investments are not available under ELS and OELS. Such activity does not fit with the simple design of ELS, which pays for basic management to achieve the desired environmental outcomes without the need to be supported by the addition of capital works (such as hedge restoration). These more complex activities need to be targeted at areas of need, such as High Nature Value / Natura 2000 areas.

318. Uplands ELS does include provision for some non-productive investments in the form of a limited range of simple options, designed to support the high value nature of much of the land in the SDA. A list of these options can be found at Annex 2 to Chapter 5, Appendix I. Further details can be found in the following section (5.2.3) on non-productive investments.

HLS agreements

319. NE staff are responsible for dispatching claim forms to applicants for each capital works claim. These must be completed by the agreement holder and returned before payment can be made.

320. Payments for capital work (programmed under the Support for Non-productive Investments Measure) are made in accordance with the schedule in the Capital Works Plan. If there is a difference between the work set out in the schedule and the work done, the schedule for the remaining years of the Plan will be revised accordingly. This flexibility will not be available in the final year of the Plan.

321. Claims for interim capital work payments up to the total amount allocated for the year in the Capital Works Plan may also be made at any time during the year in question (but only where the value of the claim exceeds £500) against the specific items of work completed. This is in order to allow agreement holders to carry out expensive capital works at the most suitable time of year without financial loss. Any outstanding balance would then be claimed at the end of the year in accordance with the schedule.

5.2.2.8 State Aid

322. There are two types of additional state aids used under the scheme:

- top-up state aids to cover the element of any payment that exceeds the annual ceiling on co-financed payments for the land type concerned as specified in the Annex to Council Regulation 1698/2005. A list of the potential options affected together with details of their justification is attached at Annex 2 to Chapter 5, Appendix V. However, these options only apply to a small part of a holding. These payments are averaged across the whole holding and the effect is that the need for state aid top is rarely required.
- stand alone state aids are designed to meet the aims and objectives of the scheme and complement the measures under ES and will assist in achieving the environmental objectives of an agreement.

323. The stand alone state aids cover the following areas:

- Farm Environment Plans which do not lead to a HLS Agreement;

324. Payment rates for state aids are calculated in the same way as for co-financed items.

325. The state aid measures proposed meet the requirements of the Community Guidelines for State Aid in the Agriculture and Forestry Sector 2007-2013²⁸.

5.2.2.9 Other Mandatory Requirements

326. Minimum requirements for fertilisers must include, inter alia, the Codes of Good Practice introduced under the Nitrates Directive for farms outside Nitrate Vulnerable Zones (NVZs), and requirements concerning phosphorus pollution. Minimum requirements for plant protection products must include, inter alia, requirements to have a licence to use the products and meet training obligations, requirements on safe storage, the checking of application machinery and rules on pesticide use close to water and other sensitive sites as established by national legislation.

Inorganic and Organic Fertilisers

327. Agreement holders are required to comply with the provisions of the Nitrates Action Programme in the NVZs, which limit the use of organic manures and inorganic fertilisers, and the Code of Good Agricultural Practice for the Protection of Water, which applies outside the zones. No payment is made for meeting these standards. Payment rates are only calculated for actions that go below the level of 170kg of nitrogen. Agreement holders will be required to comply fully with the requirements of the revised Nitrates Action Programme.

328. The use of inorganic and organic fertilisers on land within ES is very limited. Where appropriate, details of the maximum level of applications permitted are set out in the prescriptions for each option. These are based on the Fertiliser Recommendations for Agricultural and Horticultural Crops (RB209) that provides recommendations for the use of lime and major nutrients (N, P, K, S, Mg and Na) on most field grown crops including arable grassland, field vegetables and fruit. Agreement holders are required to keep records of the applications on a field-by-field basis.

329. Although phosphorus is not specifically addressed under the Nitrates Action Programme, it is expected to have a positive impact on phosphorus pollution. There are no other specific requirements concerning phosphorus pollution in addition to those outlined above.

Plant Protection products

330. The use of plant protection products on agri-environment land is generally forbidden except for the very limited use of herbicides to control weed problems. In these cases, approval from Natural England is required in each case. All plant protection

²⁸ OJ C319 of 27.12.2006

products are authorised in accordance with the provisions of the UK Plant Protection Regulations 2005, which implement the Plant Protection Products Directive 91/414. There are no EU requirements for the training, storage or the testing of machinery. However the Plant Protection Products (Basic Conditions) Regulations 1997 set out national rules for the training of all those who use, sell, supply and store pesticides. In addition, there are two statutory codes of Practice: the Code of Practice for using Plant Protection Products, and the Code of Practice for suppliers of Pesticides to Agriculture, Horticulture and Forestry, which also sets out minimum requirements for pesticides stores and how they should be built etc. There are specific rules within the codes for the spraying of plant protection products close to watercourses.

Changes to mandatory requirements

331. In accordance with the provisions of Article 46 of Commission Regulation 1974/2006 agreement holders will also be required to amend their agreements to take account of any changes to cross compliance; NVZs; requirements on fertilisers and plant protection products and any other relevant mandatory requirements established by EU and national legislation. The cross compliance requirements have been amended to take account of the revised Nitrate Action Plan. ES has however, anticipated the introduction of the revised plan by setting the measures in the plan as entry requirements for ES. In accordance with Article 46, where changes to cross compliance require changes to agreements, the agreement holder may withdraw from the agreement without penalty.

Livestock farming: Compliance with Article 27

332. Where agri-environment commitments relate to grassland management, agreement holders will be required to comply with the provisions set out in Annex 2 to Chapter 5, Appendix IV concerning grassland management and extensification. It is not an action for which support is paid. For organic farmers this requirement is managed taking account of the rotation required by organic standards.

Compliance and Breaches of agreement

333. Applicants have a duty to keep a record of their application and, where necessary, to maintain appropriate records of the management that has been carried out, to facilitate the compliance monitoring of the agreement. ELS/OELS applications will be returned to the applicant on approval as this forms part of the agreement.

334. Compliance with the terms of the agreement is checked by the Rural Payments Agency (RPA) inspectors and results of inspections are recorded. Detailed procedures are set out in instructions for staff. There is regular exchange of information between the organic inspection bodies and Defra as the competent authority for the purposes of Council Regulation 2092/91 and for the purpose of verifying OELS agreement holders' continued entitlement to aid under the scheme.

335. If the agreement holder fails to carry out all the specified management and capital works or in other ways fails to comply with the terms of the agreement, there is a range of sanctions that can be imposed, including in accordance with Article 18 of Commission Regulation 1975/2006. Similarly, if, on inspection, work is not found to be to the specified standard, any payment due can be withheld or reclaimed pending satisfactory completion.

Derogations

336. ES agreements may be changed temporarily where this is necessary in order to deal with unexpected circumstances such as severe weather or an unexpected weed or pest infestation. All relevant derogations and associated paperwork, which a farmer has initiated, will be checked during any compliance inspection visit.

ELS, OELS and Uplands ELS agreements

337. All agreement holders have to notify NE in writing of any derogations they plan to take. All notifications will have to be signed by an independent third party (a suitably qualified agronomist who is trained in environmental management) to confirm that the request meets the specified criteria for derogations. For OELS it will also be necessary for the agreement holder's organic inspection body to confirm that the derogation is consistent with the organic standards prescribed by Council Regulation 2092/91 (as amended).

HLS agreements

338. Applications for temporary derogations from an HLS agreement must be approved by NE in advance. They have to be documented (to record the justification) and will only be granted if they do not prejudice the objectives of the agreement and do not affect the conditions of payment.

5.2.2.10 Beneficiaries

339. Under ES, beneficiaries are not selected by calls for tender. The arrangements for selecting beneficiaries are described below.

340. ES is open to those who are carrying out agricultural activities such as cropping or grazing animals, including both farmers and other land managers. Beneficiaries will be those who undertake to carry out this type of management on their land in accordance with the scheme's objectives.

ELS

341. ELS management options have been specifically designed to be achievable by the majority of farmers and land managers in England and to fit with the management of their conventionally farmed land. ELS is available to all eligible farmers and land managers.

OELS

342. OELS management options are only available on land that is registered as fully organic or in conversion to organic farming with an organic inspection body and not currently receiving organic conversion or maintenance aid under the OFS or the now closed Organic Aid Scheme (OAS). Applicants with CS or ESA agreements that include organically registered land are eligible to apply for OELS providing there is no conflict or duplication in the management requirements. Beneficiaries will be expected to remain registered with an inspection body for the duration of the OELS agreement.

343. The organic conversion aid payments are only available on land that is registered as in conversion to organic farming with an organic inspection body, is not currently receiving organic conversion aid under the OFS or OAS, and is in its first year of conversion when the OELS application is received. Land that has been registered as fully organic at any time since 10 August 1993 is not eligible for conversion aid. Once again, beneficiaries will be expected to remain registered with an inspection body for the full duration of the OELS agreement.

Uplands ELS

344. Uplands ELS management options have been specifically designed to be achievable by the majority of farmers and land managers in the English SDA. Uplands ELS is available to all farmers and land managers in the SDA, provided they meet the rules of the scheme.

HLS

345. In common with ELS and OELS, HLS will be open to applications from farmers and land managers [wording needed on current proactive NE approach?]. However, priority will be given to those whose land falls within target areas or contains target features.

346. For Natura 2000 sites, HLS will be extended to non-agricultural land managers in accordance with the provisions of Article 39(2) of Council Regulation 1698/2005, so as to help these sites achieve favourable ecological condition.

Eligibility Conditions

347. ES applicants need to be able to control the management of the land for the full length of the agreement (depending on the agreement this may be 5, 10 or 20 years).

348. Full agricultural tenants on land owned by Exchequer funded bodies (e.g. government departments) may be eligible to apply for activities that are over and above the requirements of their tenancy agreement. Land that is owned and managed by another Government department or agency will usually not be eligible for the scheme.

ELS, OELS and Uplands ELS

349. Tenants on a full agricultural tenancy are eligible to join ELS/OELS/Uplands ELS providing their tenancy agreement lasts at least five years from the start of their agreement. Where this is not the case the tenant may make a joint application with their landlord, who must agree to take on the management responsibilities for the land and, with OELS, continue with the organic registration of the land, in the event of the tenant ceasing to control the land.

350. Any land which is already subject to management conditions either through an existing legal requirement or under grant scheme e.g. ESAs, CS, OFS, which cannot be combined with ELS or OELS or Uplands ELS is ineligible for the scheme. Common land is eligible for ELS and, where it is in the SDA, for Uplands ELS, but will be excluded from OELS.

351. Land in parcels of 15ha or more within the LFA will only be eligible for ELS at a lower points threshold/payment rate. From 2007/08, the lower points threshold/payment rate for land parcels of 15ha or more will apply only to land within the SDA Moorland Line. Land in parcels of 15ha or more within the LFA is ineligible for OELS and will have to be entered into ELS or, from 2010, Uplands ELS (if it is in the SDA). HLS Applicants for HLS are required (except as described above) either to hold an existing ELS/OELS agreement, or apply for HLS in combination with ELS or OELS.

352. Tenants on a full agricultural tenancy are eligible to apply. In some cases a joint agreement with the landlord or demonstration of the landlord's consent will be required.

353. Any land that is already subject to equivalent management conditions either through another scheme (CS or ESA) or an existing legal requirement cannot enter into HLS. Any remaining land will only be granted entry where it passes the stated scoring criteria for any HLS application. If the applicant wishes, when their original (CS or ESA) agreement comes to an end, they may apply for a new ES agreement combining both areas of land.

5.2.2.11 Application Procedure

354. All expressions of interest in and applications for ES are handled directly by NE.

ELS and OELS

355. All applicants for ELS and OELS are required to produce a simple Farm Environment Record (FER) as part of their application, and this includes the identification of fields at high soil erosion risk. Uplands ELS applicants will be required to complete an extended FER. This is because the extra options available to Uplands ELS applicants require a more detailed record taking into account a greater number of features than under an ELS or OELS application. ELS and OELS and Uplands ELS have been designed in such a way that applications can be assessed for eligibility and cross-checked from the office. OELS applicants are required to submit copies of their current valid certificates of

organic registration and land schedules issued by their organic inspection body as proof of their entitlement to OELS and conversion aid top-up payments.

356. Where applicants have both organic and conventional land and are making a joint ELS/OELS application they will complete an application form with several sections; one section will cover conventional land and will have the same design as ELS; another section will cover fully organic land and will provide information required for OELS; another section of the form will capture land to be put into organic conversion. This will result in a single ELS/OELS agreement with both conventional and organic elements.

HLS

357. Applications are assessed on receipt by NE who liaise directly with the applicant. Those applications found most suitable are subject to a site visit by a NE adviser to discuss and develop the potential agreement. NE provides technical support and advice before an agreement is signed, in liaison with specialists as necessary. NE is responsible for ensuring that the detailed content of the agreement complies with the objectives of the scheme and verifying the area applied for. NE carries out the work according to detailed instructions and agreed working practices.

358. In certain appropriate locations, the technical support and advice is supplied by statutory bodies such as the Environment Agency, NE or the National Parks Authorities. Responsibility for assessment and any granting of any subsequent agreement rests with NE.

5.2.2.12 Assessment and scoring of applications

ELS, OELS and Uplands ELS agreements

359. ELS applications are required to achieve a points target for the whole holding equivalent to 30 points for each hectare of eligible land. Each point is equal to £1 worth of work done (income foregone) by the farmer each year: so to be eligible for ES the farmer will have to undertake £30 worth of environmental work per hectare per year. Thus, the points target for each application is directly related to farm size. The points target is achieved by undertaking environmental management options chosen from the list of options available. Each option is allocated a certain number of points directly related to the IF and costs incurred by the farmer in implementing the option. Providing the applicant meets the eligibility criteria, has chosen sufficient management options to meet the points target and has completed the application form correctly, they will automatically be issued with an agreement.

360. OELS applicants are required to gain a points target of 60 points per hectare for eligible OELS land. The points target, and consequently the payment per hectare, is higher than that for ELS in recognition of the greater environmental benefit delivered by organic farming systems.

361. For Uplands ELS there is a points targets of 23 points for moorland parcels larger than 15ha, and 62 points for all other land in the SDA. Organically farmed SDA land below the moorland line and moorland parcels of less than 15ha will have a points target of 92 per ha. Organic land in parcels of 15 ha or more within the within the SDA Moorland Line are not eligible for the £60/ha organic payment and so will only attract 23 points per ha. Common land is not eligible for organic payments (see para 353) so will attract the standard Uplands rates of 23/62 points.

362. In Uplands ELS farmers will have land management requirements that they must carry out. There are two sets of requirements, one that applies to grassland and arable land, the other that applies to moorland, with additional requirements for commons and shared grazing. Fulfilling these requirements will give agreement holders 11 points on grassland and arable land, and 15 points on moorland. There will be two further requirements for commons and shared grazing, the cost of which will be covered by the £5

common supplement which will be available for all commoner entering Uplands ELS. Farmers and land managers will then choose sufficient land management options to meet their points targets. They will be able to choose from the menu of ELS options – or OELS options for Uplands OELS agreements – as well as from the Uplands-specific options. All these options are listed at Annex 2 to Chapter 5, Appendices I and II.

HLS agreements

363. HLS is a targeted scheme designed for those high value habitats and other features that require complex management and which can deliver significant environmental outcomes. Within a national framework, the priorities are defined at a regional level. Localised targets for delivery of these priorities are identified using a series of 113 Target Areas. In addition to these areas, HLS priority outcomes outside target areas are addressed by themes across the range of scheme objectives.

5.2.2.13 Local Breeds in danger of being lost to farming

364. The list of local breeds of farm animals in danger of being lost to farming and the number of breeding females concerned must be certified by a duly recognised technical body - or breeder's organisation/association - which must register and keep up-to-date the herd or flock books for the breed. The body concerned must possess the necessary skills and knowledge to identify animals of the breeds in danger.

365. A list of the Native Breeds at Risk that has been certified in accordance with the procedure described in the paragraph above is attached at Annex 2 to Chapter 5, Appendix III, with details of the numbers of breeding females for each breed. The breed societies are those recognised by the UK Government and who maintain the herd books in accordance with Community zootechnical legislation.

5.2.2.14 Plant Genetic Resources under threat of genetic erosion

366. Not applicable.

5.2.2.15 Conservation of genetic resources in agriculture

367. Not applicable.

5.2.2.16 Transitional arrangements and Ongoing Operations/Contracts

368. In accordance with Commission Regulation (EC) No1320/2006, all commitments entered into under Regulation (EC) 1257/99 will be programmed to the Agri-environment Measure (Code 214). The only exception to this is the small number of capital works agreed as part of the HLS element of ES agreements entered into between the scheme's launch in April 2005 and the end of December 2006. These will be programmed to the Support for Non-productive Investments Measure (Code 216). It would be very costly to build into the relevant IT system the facility to account differently for ES capital works agreed prior to 2007 and this cost cannot be justified given the small sums involved.

369. These commitments will continue to be subject to the rules in force at the time that they were entered into under Regulations 2078/92, 1257/99 and 817/2004. The correlation table for measures provided for in Regulation (EC) No 1257/1999 and Regulation (EC) No 1698/2005 is included at Annex 1 to Chapter 5.

5.2.2.17 Quantified targets for EU common indicators

Table 5-11

Type of indicator	Indicator	Target
Output	Physical area under agri-environmental support (hectares)	2,500,000 ha
	Number of farm holdings and holdings of other land managers receiving support	50,000
	Total area under agri-environmental support (hectares)	7,000,000 ha
	Total number of contracts	50,000
	Number of actions related to genetic resources	0
Result	Areas under successful land management contributing to (hectares):	
	- improvement of biodiversity	2,000,000
	- improvement of water quality	1,200,000
	- mitigating climate change	1,200,000
	- improvement of soil quality	1,200,000
- avoidance of marginalisation and land abandonment	Not applicable under this measure	
Impact	Reversing biodiversity decline	Decline in farmland bird populations reversed by 2020.
	Maintenance of high nature value farmland	95% in favourable condition by 2010
	Changes in gross nutrient balance	Target cannot yet be set

Additional programme-specific indicators and quantified targets

Table 5-12

Type of indicator	Indicator	Target
Additional Result	Area under successful land management contributing to improvement of landscape (hectares)	1,600,000
	Condition of Natura 2000 sites	95% in favourable conservation status

370. See Chapter 12 for an explanation of these additional targets. The additional target for the condition of Natura 2000 sites has been set because measure 213 is not being implemented, but expenditure under this measure will be used to support farmers in managing Natura 2000 sites. These additional indicators will ensure the success of this approach can be monitored.

371. A detailed evaluation strategy has been developed for the scheme²⁹ and high level targets and indicators for this are outlined in Annex 2 to Chapter 5, Appendix VI. The targets are outcome focussed and reflect the objectives of the scheme. The indicators show how achievement against targets will be measured. In addition to measuring these indicators, projects will be carried out to monitor a sample to be able to report against the targets annually by providing information on indicators relating to scheme and option uptake. Additional indicators shown in Annex 2 to Chapter 5, Appendix VI may not be available on an annual basis but will be included in annual reports to the Commission in years when they are available.

²⁹ <http://www.defra.gov.uk/erdp/pdfs/es/ES-EvaluationPlan-Feb06.pdf>

5.2.3 Support for non-productive investments

Article	Article 36 (a) (vi) and Article 41 of Regulation (EC) No 1698/2005
Measure Code	216

5.2.3.1 Rationale for Intervention

372. Support for non-productive investments will be provided in conjunction with land management agreements under the HLS element of ES and from 2010 to a very limited extent, under Uplands ELS. The general rationale for ES is described in the agri-environment measure and is not repeated here. Within ES, the ELS and OELS elements offer farmers a range of simple management options that can be fitted around their commercial farming enterprise and that will not normally need capital works to accommodate them. Under Uplands ELS a limited number of small-scale capital works will be offered to support the importance and high value nature of much of the land in the SDA. By contrast, the Higher Level element of ES pays for more complex and demanding management, and support for capital works is often needed to enable and complement this management. Non-productive investments are targeted at High Nature Value/ Natura 2000 and resource protection sites; but access items that enhance public amenities will be limited to high nature value/ Natura 2000 sites. (These access options are funded as a non-agricultural de minimis state aid. Further details are provided in measure 313). These measures are complementary to those in 214. 216 are not 'free standing' measures and must be included in an agreement with 214 measures.

373. Capital investment is needed in connection with the creation or restoration of habitats, landscapes and other features and the recovery of species populations. In many cases, restoration requires more than a continuation or adjustment of the pre-existing management. The widespread intensification of agricultural production systems over recent decades, referred to in the rationale for the Agri-environment Measure, means that capital works may be needed to set up or re-instate the infrastructure needed to allow appropriate management. Large-scale, one-off works may also be needed as part of the restoration process itself, such as the clearance of invasive vegetation, the planting and protection of trees and the restoration of stone walls. Both these categories of work often require the expenditure of significant sums at the start of an agreement. The extent of the restoration works that are necessary also varies enormously from site to site. For both reasons it is not possible to fund restoration and recovery entirely through standardised annual management payments.

374. Support is needed from the Rural Development Programme for these investments because the nature of the capital works is such that they generate an insignificant financial return for the farmer to finance them on a commercial basis.

5.2.3.2 Objectives of the Measure

375. The objectives of this measure are to support the objectives of the agri-environment measure by supporting essential and integral non-productive investments within the HLS and Uplands ELS elements of ES.

376. A full description of these objectives, and the way they will be translated into specific targets for HLS and Uplands ELS, is given in the agri-environment section of the Programme Document, Section 5.1.5.2.

5.2.3.3 Scope and actions

Uplands ELS

377. There is provision for a limited number of small-scale capital works under Uplands ELS. This is to support either the traditional agricultural landscape or the high value

nature of much of the land in the SDA. A list of the capital works provided for by Uplands ELS is at Annex 2 to Chapter 5, Appendix I.

378. These capital works options will function entirely within the option structure of Uplands ELS outlined in section 5.2.2. Farmers will choose to adopt these options as they would any other. Each option has a points reward which will contribute to the farmer's overall points total.

HLS

379. The capital works included under Uplands ELS have been carefully limited to those that can be delivered without the need for site-specific advice. They are also subject to strict limits to ensure the Uplands ELS agreements are appropriately balanced with other land management options. For instance, under option UB17, which enables farmers to restore stone walls, farmers will only be rewarded for the provision of a maximum of 200m of stone walling over the course of an agreement.

380. The Farm Environment Plan under HLS will identify whether capital investments are likely to be needed. The nature, costs and timing of these investments will then be negotiated between the delivery body for the scheme (Natural England) and the applicant. A Capital Works Plan (CWP) will then be drawn up and will form part of the agreement. Works on which management options will depend will have to be completed in the first year of the agreement, but other works may be completed at a later stage.

381. CWPs will run for two or three years. If it becomes apparent during this period that further investments are needed then a second plan may be agreed to run for another two or three year period.

382. Support is offered for a wide range of non-productive investments that support the full range of objectives of the scheme. In most cases, a standard specification for the work will be included in the CWP and a standard payment made in return. Where, exceptionally, a need for a different type of capital investment is needed a percentage grant based on the actual costs may be offered.

5.2.3.4 Description of the link to commitments provided for in article 36(a) (iv) of Regulation 1698/2005 or other agri-environmental objectives

Uplands ELS

383. Within Uplands ELS non-productive investments will be an integral part of the land management agreement.

Higher Level Stewardship

384. Support for non-productive investments will only be provided in conjunction with land management agreements under the HLS element of ES. Such support will be agreed through CWPs. These plans will only be available as part of agreements that also contain one or more land management options. It will not be possible for a CWP to extend beyond the period of the management agreement.

5.2.3.5 Definition of operations to be supported

385. Subject to the restriction explained in the last paragraph, support will be offered for the following categories of non-productive investments. (A full list of items is provided in Annex 2 to Chapter 5, Appendix I):

- the restoration and re-instatement of traditional boundary features;
- fencing and other works needed to facilitate conservation management, including the re-introduction of grazing and to improve the protection of water;
- the planting and management of trees;
- the restoration of wetlands and moorland;

- control of scrub and bracken;
- works to assist the reversion of land to heathland or species-rich grassland;
- restoration of landscapes and features;
- structures to accommodate or support the requirement of specific species;
- changes to farm access tracks and gateways to improve the protection of soil and water.

5.2.3.6 Description of the public amenity values of a Natura 2000 area or other high nature value area to be enhanced

386. No support will be offered that is specific to Natura 2000 areas or other high nature value areas, though it is envisaged that such areas would be amongst those that benefit from non-productive investments linked to commitments provided for in article 36(a) (iv).

5.2.3.7 Financing

Uplands ELS

387. Under Uplands ELS, as noted above, farmers will choose capital works options as they do standard options (though observing the specific limits and guidelines relating to non-productive investments). Points from the capital works options a farmer chooses will count towards their overall points' total, and the farmer will be eligible for Uplands ELS payment if he meets the required points' threshold. The financing of capital works under Uplands ELS will thus be completely integrated into the financing of the scheme overall.

HLS

388. A list of the items for which payments are made is set out in Annex 2 to Chapter 5, Appendix I. In most cases, a standard payment rate has been set rather than a percentage as this is more transparent and equitable for agreement holders and assists them in not having to submit several quotations. It will also reduce the time spent processing claims. For these options, Annex 2 to Chapter 5, Appendix I, includes estimates of the total costs of these capital items and the percentage of those costs that it is proposed to pay. In a few cases, the nature of the investment is such that costs will be highly variable. In these cases, a standard payment is inappropriate and Annex 2 to Chapter 5, Appendix I, shows the proportion of the actual total cost that will be paid.

Methodology

389. Where standard payment rates are used in Annex 2 to Chapter 5, Appendix I, the average total cost has been calculated on the basis of the income foregone and costs incurred.

390. For all investments, the percentages of total costs that will be reimbursed from the Scheme have been set using the following criteria:

- environmental benefit; in the light of current priorities given to different types of investment;
- market failure; the degree of financial assistance found necessary to encourage the work to be undertaken;
- the degree of agronomic benefit.

391. This last criterion needs some further explanation. Where some capital items (e.g. boundary restoration) have an agronomic, as well as environmental benefit, then a reduced payment rate is appropriate. For items where there is no agronomic benefit, the rate has been set at 80-100% of cost. A payment rate of 100% is considered appropriate only where there is no economic benefit, for example the creation of ungrazed managed habitat, bat boxes, otter holts etc. It outlines the approach taken in applying the percentages to determine the standard payment rates.

Table 5-13

	Environmental benefit	Market failure	Agronomic benefit	Using this methodology the following percentages have been applied to calculate the proposed payment rate:
100% rate	High	High	None	reversion work; otter holts; bat boxes; specific features
80%	High	Medium	None	sluices; bunds
60%	High	Medium	Low	hedging; walling; gates; fruit trees; tree guards; tree surgery; livestock reintroduction items; ponds
50%	Medium	Medium	Low	fencing; scrub and bracken control

Evidence to support the consistency and plausibility of the calculations

392. In accordance with the provisions of Article 53 of Regulation 1698/2005 and the criteria set out in Regulation 1974/2006 an independent organisation, the Royal Agricultural College (RAC) was engaged to check the methodology used and calculations for payments of the options drawn up by the agricultural business specialists of NE³⁰.

393. The verification report takes account of the market situation as at January 2007. It therefore benefits from the actual position of price movements and trends since the income-foregone calculations were set by NE in mid 2003. The report also compared the prices with other known sources of information. Despite the underlying upward trend in the costs, the UK Government has decided not to increase the payment rates.

394. The examination of the various elements used to make up the income foregone calculation shows that generally NE have come within the range of comparison costs except for sheep fencing which falls below the cost of comparison costs. However, this was deliberate because sheep fencing has a higher economic benefit to farmers than other areas so it was decided to keep rates for these items as low as possible so that they cannot be considered as assisting the economic assets of a farm.

395. While the report endorses the approach taken by NE in calculating payment rates there are some areas where the calculations need to be more transparent and some factors that need to be given greater weight to in reviewing the rates. None of the findings are such as to warrant an immediate change to the payment rates. However, the recommendations and findings of the report will be taken on board when next reviewing the payment rates.

³⁰ 'Verification of the calculations, methodology and costings used in determining payments for the capital works in Higher Level Environmental Stewardship Scheme' Report for Defra by Dr J. Jones. 2007. The independent report was carried out by Dr James Jones, RAC and Mr Simon Smith a chartered surveyor and Fellow of the Association of Agricultural Valuers.

Payments to agreement holders

396. Payments for capital work are made on an annual basis in accordance with the schedule in the CWP. Providing that all capital work items specific to that year have been completed, along with at least 75% of the remaining work that should have been completed up to that date, the annual claim will be paid in full. If there is a difference between the work set out in the schedule and the work done, the schedule for the remaining years of the Plan will be revised accordingly. This flexibility will not be available in the final year of the Plan.

397. Claims for interim capital work payments up to the total amount allocated for the year in the CWP may also be made at any time during the year in question (but only where the value of the claim exceeds £500) against the specific items of work completed. This is in order to allow agreement holders to carry out expensive capital works at the most suitable time of year without financial loss. Any outstanding balance would then be claimed at the end of the year in accordance with the schedule.

398. A Farm Environment Plan (FEP) is required to accompany an application so as to identify environmentally important or vulnerable features on the land and to assess its condition. The FEP can be produced by, Natural England, a professional adviser or by the farmer (where they have sufficient skills). It remains valid for 5 years or for the course of a resulting agreement (unless the applicant has major changes to his holding in the interim) and forms the basis of any application within that period. Costs to the applicant of producing these plans will be part-funded under HLS. This payment is a transaction cost and may cover 80% of the cost of hiring a professional adviser to complete the FEP and include an element for the time of other specialist advisers who may be required to carry out research.

Transitional arrangements and Ongoing Operations/Contracts

399. Capital works already agreed as part of agri-environment agreements under the CS and ESAs will continue under the conditions detailed for these schemes and described in the modification to the previous programme document agreed in 2004. Although the range of capital items offered is smaller, the payments are the same as those offered under ES. These payments are consistent with the requirements set out in Council Regulation EC No 1698/2005 for support for non-productive investments. In accordance with the Transitional Regulation (1320/2006), these capital works will continue to be programmed to the agri-environment measure. The only exception to this is the small number of capital works agreed as part of the HLS element of ES agreements entered into between the scheme's launch in April 2005 and the end of December 2006. These will be programmed to the Support for Non-productive Investments Measure (Code 216). It would be very costly to build into the relevant IT system the facility to account differently for ES capital works agreed prior to 2007 and this cost cannot be justified given the small sums involved.

5.2.3.8 Quantified targets for EU Common Indicators

400. No additional indicators are currently proposed for this measure.

Table 5-14

Type of indicator	Indicator	Target
Output	Number of farm holdings and holdings of other land managers receiving support	9,000
	Total volume of investment (€m)	€360m
Result	Areas under successful land management contributing to:	Most capital expenditure not area based, so proportion of spend expected is given:
	- improvement of biodiversity	70%
	- improvement of water quality	25%
	- mitigating climate change	25%
	- improvement of soil quality	25%
	- avoidance of marginalisation and land abandonment	Not applicable

5.2.3.9 Additional programme-specific indicators and quantified targets

Table 5-15

Indicator Type	Indicator	Target (as at / total to end 2013 unless otherwise stated)
Additional Result	Proportion of spend contributing to improvement of landscape	50%

401. As explained under the agri-environment measure, a detailed evaluation strategy has been developed for the scheme³¹ and high-level targets and indicators for this are outlined in Annex 2 to Chapter 5, Appendix VI.

³¹ <http://www.defra.gov.uk/erdp/pdfs/es/ES-EvaluationPlan-Feb06.pdf>

5.2.4 Overview of measures targeting the sustainable use of forestry land

402. The following measures targeting the sustainable use of forestry land available under Axis 2 of the Rural Development Regulation will not be implemented in England.

<p>222 First establishment of agro-forestry systems</p>	<p>The government recognises the value of agro-forestry systems, especially in traditional parkland. Small scale planting and maintenance of trees within parkland will be included as eligible activities under Measure 214. At present, we do not perceive a need to support the creation of new parkland on a large scale, but it is possible that during the course of the programming period we will wish to revisit our decision not to use this particular measure. However, given the limited funds likely to be available for Axis 2 forestry measures in England, for the moment we wish to concentrate such support on the targeted creation of new woodland and the improved maintenance of existing woodland.</p>
<p>224 Natura 2000 payments</p>	<p>It is not proposed to provide compensation to farmers or foresters for costs incurred and income foregone resulting from restrictions on the use of land under Natura 2000. Such compensation fails to deliver added value because such restrictions arise from a clearly defined legal obligation.</p> <p>It is proposed to use the Forest Environment Measure (225), delivered through the English Woodland Grant Scheme (EWGS), to help forest holders in England meet the cost of any positive management needed to restore Natura 2000 sites to, or maintain them in, favourable condition. This course of action is justified for the following reasons:</p> <p>The requirements in the Habitats Directive to maintain the Natura 2000 network in favourable conservation status is delivered in England by including Natura 2000 sites in the network of Sites of Special Scientific Interest (SSSI). The domestic legislation governing SSSIs (the Wildlife and Countryside Act 1981 as substituted by Schedule 9 of Countryside and Rights of Way Act 2000) requires their managers to abide by standards and procedures aimed at avoiding damage and ensuring prior notification of major changes in land management. However, the same legislation requires a voluntary approach to be taken to ensuring the positive management of these sites wherever possible. The voluntary approach has been taken because of the difficulty of imposing complex positive management, which arises because the co-operation of the land manager is extremely important to the success of such management. Reserve powers to require specific positive management are available, but are very seldom used. In the overwhelming majority of cases, land managers agree to undertake the necessary positive management on a voluntary basis, so compensation is not appropriate.</p> <p>It is also worth noting that under this UK legislation SSSIs that are part of the Natura 2000 network are treated in exactly the same way as those that are not. Land within a Natura 2000 site is not therefore subject to any additional land management restrictions compared to non-Natura 2000 land that is designated as SSSI. There are additional safeguards in relation to development proposals, but these</p>

	<p>are outside the scope of Article 38.</p> <p>Under the SSSI system, woodland managers are provided with information on the positive management needed to ensure that their sites are restored to or maintained in favourable condition. The nature and intensity of this management varies considerably between and even within individual sites. For this reason, a flat rate payment per hectare is not appropriate.</p> <p>Evidence that no compensation is offered to land managers for the designation of their land as part of the Natura 2000 network comes from the structure of EWGS, the delivery mechanism for the forest-environment measure in England. Whilst Natura 2000 sites may well be amongst the areas targeted by the scheme, it does not prevent payments for woodland that is not designated.</p>
<p>226 Restoring forestry potential and introducing prevention actions</p>	<p>This measure is primarily intended to provide support for forests and wooded areas damaged by fire. Under the European Forest Fire Information System (EFFIS), all areas of England are classed as low or very low fire risk, in all seasons. In addition, the largest woodlands in England that are at greatest risk are publicly owned. However, the measure does refer to other natural disasters and whilst we do not immediately feel a need to implement this measure we recognise that we may need to do so if a natural disaster occurs. The most likely examples are catastrophic storm damage, devastating drought or the threat of a disease or pest epidemic. Determining the exact nature of support required in such circumstances is impracticable now. It is preferable that an application for an 'emergency' modification to the Programme to activate this measure will be made if and when a catastrophe occurs. This will enable support offered to be closely matched to the needs arising from that particular disaster.</p>

5.2.5 First afforestation of agricultural land

Article	Articles 36 (b) (i), 43 and 50(6) of Regulation (EC) No 1698/2005. Articles 30 and 31 and point 5.3.2.2.1 of Annex II of Regulation (EC) No 1974/2006.
Measure Code	221

5.2.5.1 Rationale for intervention

403. It is intended to use this measure to support the establishment of permanent woodland on agricultural land using the English Woodland Grant Scheme (EWGS).

404. It is national policy as stated in the Strategy for England's Trees, Woods and Forests (ETWF) (and supported in all eight of the Regional Forestry Frameworks) to promote the expansion of woodlands in England in order to provide a wide range of public benefits. There is evidence³² that government intervention in forestry is required to overcome market failure in recreation, carbon sequestration, watershed regulation, biodiversity conservation, landscape amenity and air pollution reduction. This work further demonstrated three areas of intervention with the potential for substantial net benefit:

- visible amenity planting, particularly in peri-urban areas;
- access to woodlands procured around towns; and
- extending biodiversity through planting of native broadleaved woodland and the extension of woodland around ancient semi-natural woodland sites. The biodiversity benefits would be highest where new woodlands buffer or link existing woodlands of high conservation value.

405. To meet the diffuse water pollution requirements of the Water Framework Directive, Catchment Sensitive Farming has been introduced in 40 priority catchments in England. Woodland planting to act as buffer strips along watercourses or to prevent soil erosion may be part of such an approach to land management.

406. Under the UK Biodiversity Action Plan (BAP), and the revised Biodiversity Strategy for England, a target has been set for the expansion of native woodland by 1% per annum (5300 ha p.a.). Several priorities have been identified for the location of this new woodland including:

- buffering the margins of woodland or other habitats;
- expanding small woods;
- complementing and diversifying the age structure of even-aged woods;
- contributing to habitat networks and 'ecological connections' across landscapes;
- developing clusters of inter-connected woodland;
- creating some large new woods.

407. The majority of the area that could be afforested and which satisfied these priorities would be agricultural land.

5.2.5.2 Objectives of the Measure

408. To contribute to the protection of the environment and to mitigate and assist in the adaptation to climate change by increasing forest cover throughout England through the first afforestation of agricultural land. It will be targeted to locations that maximise the public benefit from afforestation. The precise criteria for location will be adjusted during the life of the Programme, but in the first instance afforestation will be targeted:

³² 'An economic analysis of forestry policy' Report for Defra, HM Treasury and the Forestry Commission by CJC Consulting. www.forestry.gsi.gov.uk

- close to centres of population where there is inadequate provision of access to existing woodland;
- to buffer, enlarge or create habitat networks which enhance high nature value woodlands (which are frequently of small individual size and fragmented); and
- to buffer watercourses or to prevent soil erosion as part of an approach to catchment sensitive farming.

409. All woodland creation will be adapted to local conditions and will meet standards for protecting and enhancing biodiversity, recreation, water, soil resources, heritage and landscape.

5.2.5.3 Scope and actions

410. Support for the afforestation of agricultural land is primarily delivered under the EWGS. EWGS grants for afforestation comprise two components: the basic contribution to costs (the Woodland Creation Grant (WCG)) and Additional Contributions to cost. Every agreement receives the WCG but Additional Contributions are applied only where additional targeting criteria are also met. The initial Additional Contributions and their criteria are set out in the section on Aid Intensity below. The aid provided by EWGS includes:

- establishment costs (Article 43(1)(a) of Council Regulation (EC) No. 1698/2005) – an area-based standard grant, paid in two instalments of 80% after planting and 20% five years later, or 100% after planting in the case of broadleaves grown at wide spacing;
- a contribution to agricultural income foregone (Article 43(1)(c) of Council Regulation (EC) No. 1698/2005) – an annual payment for 10 or 15 years depending on the type of woodland established.

411. No aid will be provided to cover maintenance costs (Article 43 (1)(b) of Council Regulation (EC) No. 1698/2005).

Definition of agricultural land

412. In accordance with the requirement of Article 31(1) of Regulation (EC) No 1974/2006, 'Agricultural land' is specified as 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.

Definition of farmer

413. In accordance with the requirements of Article 31(3) of Regulation (EC) No 1974/2006, a farmer is defined as meaning a person who devotes an essential part of their working time to agricultural activities and who derives at least 25% of their gross income from farming, taking account of all the land that they farm in England. .

Selection of areas to be afforested

414. To ensure that afforestation of agricultural land is in accordance with Articles 43 and 50(6) of Regulation (EC) No 1698/2005 and the rules of EWGS the following provisions are made for the selection of areas to receive aid.

Qualifying criteria

415. Applicants seeking support for afforestation of agricultural land under EWGS must declare that the application concerns the conversion to woodland of agricultural land, as defined above, that they own, lease or tenant. To be eligible for this measure, the land must also have been under an agricultural land use for the three years preceding the date of application. To benefit from the higher rate of Farm Woodland Payment applicants

must declare that they are farmers as defined above or associations thereof. Public authorities are not eligible for Farm Woodland Payments.

Environmental Standards

416. Environmental safeguards are an essential component of the grant schemes and are enforced through contract approval and monitoring procedures. On receipt, all applications are assessed to ensure that they meet the environmental standards, as currently set out in the “UK Forestry Standard” and the associated guidelines on nature conservation, landscape, archaeology, soil and water. Field checks are carried out where necessary to confirm the suitability of local conditions and the compatibility with environmental standards. The application may not include Christmas trees.

417. In addition, proposals for new planting which may have a significant effect on the environment are also subject to Environmental Impact Assessment (EIA)³³. These Regulations include thresholds above which a determination of the need for an EIA will be made in all cases where applications include forestry projects to which the regulations apply. In exceptional circumstances, projects that fall below the thresholds may also be determined to require environmental impact assessment. The information in Table 5-16 below shows the current thresholds:

Table 5-16

Project Type	Threshold (where any part of the land is in a sensitive area*)	Threshold (where no part of the land is in a sensitive area*)
Forest road works	No threshold	1 hectare
Forest quarry works	No threshold	1 hectare
Afforestation	2 hectares, where the sensitive area is a National Park or Area of Outstanding Natural Beauty (AONB) No threshold in the case of other sensitive areas	5 hectares
Deforestation	0.5 hectares, where the sensitive area is a National Park or AONB No threshold in the case of other sensitive areas	1 hectare
* A sensitive area includes SSSIs, National Parks, World Heritage Sites, Scheduled Ancient Monuments, AONBs, sites designated or identified as a candidate for Special Areas of Conservation, and sites classified or proposed as a Special Protection Area.		

³³ Under the Environmental Impact Assessment (Forestry)(England and Wales) Regulations 1999 (implementing Directive 85/337/EEC as amended by Directive 97/11/EC).

Appropriate Assessments

418. 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 Etc.) Regulations 1994 implement the Habitats Directive and require an appropriate assessment of the implications of proposals for any Natura 2000 site.

Public Consultation

419. Before approval, details of all applications for afforestation are placed on a public register. The register can be viewed on the Forestry Commission Internet site and is available for inspection at Forestry Commission offices. Any person may submit comments on the application for Forestry Commission consideration before approval. In addition, Local Authorities and other organisations with relevant statutory responsibilities i.e. Nature Conservation Agencies, Environmental Protection Agencies and Water Authorities are formally consulted over any relevant, large or sensitive cases. These 'statutory' consultees can suggest improvements to the afforestation proposals or can formally object to them.

Scoring mechanism

420. Afforestation proposals that meet all the above environmental requirements are scored according to a published set of criteria. The criteria are adjusted periodically according to the current priorities for Government and the region. The criteria seek to rank applications for afforestation support according to the quality of the proposals, in terms of environmental gain, public and social benefit, future economic development potential, location and supporting priorities at the sub regional and local level.

421. The ranked applications are all considered together (at least once for each planting season) and the highest scoring applications are then approved and converted to agreements for afforestation support. The threshold score is determined for each region of England individually to ensure that funding and support is distributed appropriately within England. Advice is available to unsuccessful applicants to improve their proposals for next season should they wish to re-try.

Challenge funds

422. EWGS also provides for afforestation to be supported on a competitive bid basis. Under a challenge fund, the requirements are published and landowners are encouraged to develop proposals and bid for the funds required. The bids can be based on competitive costs to meet a set specification, or based on the specification offered for a set grant rate, or a combination depending on the nature of the Challenge Fund. In Challenge Fund cases, a separate scoring mechanism will be prepared to suit the specific requirements of the fund, and may also involve a panel of independent judges to select the winning bids. Challenge fund applications are handled separately from those being considered under the standard scoring mechanism. There are no afforestation challenge funds in operation at the time this programme is approved.

5.2.5.4 Calculation of Establishment Costs

Method

423. The silvicultural requirements for the establishment of different woodland types are specified. All the costs necessary for the plantation are listed and valued using information from the industry's professional bodies and forestry practitioners. These will be set for the start of the programme and reviewed at least once more during the programming period.

424. Where a particular cost is not always required on every site, a judgement is made on the likelihood that the cost would be incurred, and an equivalent percentage of the total cost is applied to the afforestation model.

425. Where a cost is known to have significant variances around England (principally due to failure of market competition locally), the range of known values is considered and an appropriate intermediary value is chosen for the afforestation model. This is not calculated as an average because the choice of this value takes into account the requirement to ensure that any potential risk of overcompensation within the total cost model is minimised.

Cost Models used

426. Initially, EWGS will support the establishment of five generic woodland types that have different specifications and costs associated. These may be refined and adjusted in the future, to ensure maximum effectiveness, but initial types and details are as set out in Table 5-17:

Table 5-17

Woodland type	Characteristics	Minimum planting density per hectare	Plant Spacing	Open ground permitted	Shrub element permitted
Standard	Woodland size is 3.0 ha or more and not one of the other types	2,250	Max 2.5m	Up to 20% where fully justified	Max 10%
Small Standard	Woodland size up to 2.99 ha and not one of the other types	1,100 broadleaves 2,250 conifers	Max 3.0m	Normally 10% but up to 20% where fully justified	Max 15%
Native	Native species only. Appropriate native woodland type and layout for the site and location.	1,600 *	Max 15m	Up to 40% where fully justified	Max 25%
Community	An appropriate type and layout for public access and in an appropriate location.	1,100	Max 3.0m	Up to 40% where fully justified	Max 25%
Special Broadleaved	Appropriate single species broadleaved trees grown at wide spacing	100	Max 10m	Normally 10% but up to 20% where fully justified	0% **
* Or an agreed lower density required to create specific habitats for Biodiversity Action Plan priority woodland species where they are present (e.g. Black grouse)					
** Shrubs may be planted in addition to the grant aided plants but will not be eligible for grant					

Costs included in the Cost Models

427. In accordance with Article 31 of Regulation 1974/2006, the cost models include only those costs directly linked to and necessary for the plantation. These are:

- the initial preparation of the site, the ground and the surface vegetation;
- the purchase and delivery to site of all plants and materials including a cost allowance towards replacing those that may naturally die in the first three years;
- the planting;
- the purchase, placement and repair of physical (or chemical) protection from pest damage;
- population control of pests on the afforested area;
- the costs of weed control within 1m of each stem until established; and
- surveying, planning layout and supervision of the plantation work.

Costs excluded from the Cost Models

428. The cost models exclude the costs of the land itself and the costs of making the application for aid and claiming grant. They also exclude any land maintenance costs that are not necessary to the plantation i.e. those that would be incurred as a consequence of managing the land in any case such as:

- maintaining the site drainage;
- maintaining hedges and fences or boundaries not required for protection of the plantation;
- maintaining access tracks to the site; and
- controlling unwanted vegetation growth more than 1m away from the tree stems.

Calculation of Income Foregone

429. Income forgone is calculated on the basis of loss of contribution to farm profit from land when it is converted from agricultural use to woodland. It takes into account extra costs, income lost, costs saved and extra income typically involved for different land types broken down by area (i.e. whether in a LFA and, if so, whether DA, SDA or above the Moorland Line) and use prior to conversion (i.e. arable, other improved land or unimproved land).

430. The results of these calculations are then used to inform decisions on the actual payment categories and aid intensities to be applied. However, such decisions also take account of other factors such as value for money and efficiency of scheme administration.

5.2.5.5 Evidence as referred to in article 48(2) of the Regulation 1974/2006 allowing the Commission to check consistency and plausibility of the calculations

431. To substantiate and confirm the adequacy and accuracy of establishment cost payments as detailed in Article 48 (2) of Regulation 1974/2006 an independent organisation was engaged³⁴ by the Forestry Commission to validate standard costs and methodology. The standard costs and models have been adjusted accordingly.

432. In accordance with the requirements of Article 48(2) of Regulation (EC) No. 1974/2006, an independent organisation, the Royal Agricultural College, has been engaged to check the methodology used and calculations for income-forgone payments.

Aid intensity for establishment support and amounts and duration of annual premiums contributing to covering maintenance costs and loss of income

433. WCG - the basic grant offered at the start of the Programme as the public contribution towards the costs of establishing woodland on agricultural land - is as follows:

Table 5-18

³⁴ Mr Guy Watt, a forest economist, of Clegg Consulting Ltd (Business, Economic and Rural development Consultants)

Woodland Type	Grant per hectare Broadleaves	Grant per hectare Conifers	Costs per hectare	% contribution to costs
Standard woodland	£1,800	-	£9,802	18
	-	£1,200	£9,109	13
Small Standard woodland	£1,800	-	£7,601	24
	-	£1,200	£10,333	12
Native woodland	£1,800	N/A	£7,367	24
Community woodland	£1,800	-	£6,853	26
	-	£1,200	£9,109	13
Special Broadleaved Woodland	£700	N/A	£4,868	14

434. Where a standard, small standard or community woodland consists of a mixture of broadleaves and conifers the grant is adjusted pro rata to the initial proportion of the site occupied by each category.

Additional Contributions

435. Additional contributions will be paid to ensure particular types of woodland are created in specific locations. The priorities, the criteria and the additional grant payments may be adjusted during the course of the Programme. Applications that meet the criteria set out in Table 5-19 below will receive an additional grant paid along with the WCG as shown in Table 5-18.

436. The Forestry Commission will determine the rate of support available and will publish the criteria to be used. For example if woodland is established close to centres of population where there is a lack of existing woodland and informal public access is provided this would be eligible for £2000 additional contribution (AC) but if within one of the newly identified Nature Improvement areas (NIA) this would be increased to £3000 AC. Likewise if native woodland is planted to compliment existing habitat restoration this would be eligible for £3000 AC but within a NIA this would increase to £4000 AC. Where woodland establishment would help to deliver a clearly identified WFD priority, primarily diffuse pollution or sedimentation, £3000 AC would be available but if native species are used to provide an enhanced biodiversity benefit this would be increased to £4000 AC. We would wish to be able to offer up to £6000 AC in very specific cases where land use change has been identified as the most appropriate means by which WFD or Biodiversity commitment can be achieved but land owners are not prepared to countenance such for levels of grant support otherwise available, in these cases rather than be reactive to landowners approaching the Forestry Commission we would be proactive.

Table 5-19

Additional Contribution Criteria		Additional Grant per hectare
1. Priority locations close to people	Located: Outside the South West Forest Area and; In the National Forest area or In a Community Forest area or Within 8 km of the homes of 100,000 people	£500
2. Public access use where there is a demand	Located where there is a demand for public access and; meets the Community woodland specification and; Accessible for free, quiet enjoyment by the public and; The applicant must agree to allow access for 30 years from first payment of the grants	£500
3. South West Forest	The woodland must be located within the South West Forest Area and; The proposal must be scored against the specific criteria for this Additional Contribution	Variable - Maximum £2000
4. Habitat Action Plan (HAP) priority woodlands	Payable on native woodland types, or standard, small standard and community woodland types where they are made up of native species only for one or more of the following: Creation of native woodland in priority areas; Creation of native woodland of specific National Vegetation Classification type; Buffering existing ancient woodland; Extension of existing native woodland; Creation of habitat networks.	Variable – Maximum £6000.
5. Water Framework Directive	Payable on any woodland type where it is clearly demonstrated that it will help deliver Water Framework Directive objectives in terms of water quality, helping mitigate flood risk or prevent soil erosion.	Variable – Maximum £6000
<p>Some applications could qualify for more than one of the above but the maximum Additional Grant will not exceed £6000.</p> <p>Applications qualifying for 3 above cannot also qualify for 1 or 2.</p>		

437. The purpose of the additional contributions (ACs) is to increase the percentage contribution to establishment costs for targeted locations, public use, ecological benefit or to help meet WFD objectives. The maximum additional contributions by woodland type to meet Habitat Action Plan targets or Water Framework Directive objectives are indicated in Table 5-20. The effects of these ACs on the percentage contribution to total establishment costs of plantations are set out below in Table 5-21. The establishment costs always remain within the permitted ceilings.

Table 5-20

Woodland Type	Maximum Additional Contribution
Standard	£6,000/ha
Small standard	£4,000/ha
Native	£4,000/ha
Community	£3,500/ha
Special Broadleaves	£3,000/ha

Table 5-21

Woodland Type		Plus £500 AC as % contribution to establishment costs	Plus £1000 AC as % contribution to establishment costs	South West Forest AC Max. £2000 as % contribution to establishment costs	HAP Priorities AC Max as % contribution to establishment costs	WFD objectives AC Max as % contribution to establishment costs
Standard woodland	BI	23	29	39	80	80
	C	19	24	35	N/A	79
Small Standard woodland	BI	30	37	50	76	76
	C	16	21	31	N/A	50
Native woodland	BI	31	38	52	79	79
Community woodland	BI	34	41	64	77	77
	C	19	24	35	N/A	52
Special Broadleaved Woodland	BI	25	35	55	N/A	76

438. The aid rate of the Farm Woodland Payments (FWP) for farmers or associations thereof in pounds per hectare is set out in Table 5-22. These rates may be adjusted to take account of changes in farming incomes foregone.

Table 5-22

Land use before conversion to woodland	Outside LFA £/ha
Arable land	300
Other improved land in the lowlands	260
Unimproved land and/or land in the uplands	60

439. Where the woodland comprises more than 50% broadleaves by area these payments are made for 15 years whilst those comprising less than 50% broadleaves or those in the Special Broadleaved category will receive 10 annual payments.

440. If afforested land is counted as set-aside under Article 54 of Regulation (EC) 1782/2003, the FWP will be reduced by an amount equivalent to the set-aside payment being received in respect of the land concerned. For any other natural persons or private-law bodies, aid intensity for arable and other improved land will be capped at £100 per hectare and £60 per hectare for unimproved land.

5.2.5.6 Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy

441. The Strategy for England's Trees, Woods and Forests (ETWF) has as an aim to provide a resource of trees, woods and forests in places where they contribute most in terms of environmental, economic and social benefits now and for future generations. All eight of the Regional Forestry Frameworks (RFF)³⁵ also contain objectives to target increases in woodland cover to areas close to centres of population and to extend high nature value woodlands. For example the West Midlands RFF contains the following objectives:

- to increase significantly regional woodland cover, linked to the Regional Spatial Strategy;
- to protect and enhance ancient or semi-natural woodland, including through the creation of new native woodland in targeted locations, which will create habitat networks and increase semi-natural woodland cover.

442. The Community Forestry Strategy recognises woodland establishment on agricultural land as a key role of forestry in Rural Development.

5.2.5.7 Forest Protection Plans

443. In regard to the application of the European Forest Fire Information System (EFFIS), all areas of England are classed as very low or low risk in all seasons.

5.2.5.8 Financing

444. The total of the WCG and any Additional Contributions paid under any agreement will not exceed 70% of the total costs of the plantations as set out in Table 5-17, Table 5-18 and Table 5-19 above.

445. Where proposals address CAP Health-Check 'new challenges' (climate change, biodiversity, renewable energy, water management and dairy sector restructuring), the maximum aid intensity rate under this measure will be increased by 10%. This applies only to the WCG element and Additional Contributions.

³⁵ The regional expressions of the England Forestry Strategy: <http://www.forestry.gov.uk/forestry/infd-5llet7>

5.2.5.9 Quantified targets for EU common indicators

Table 5-23 - Establishment of permanent woodland (see note below)

Type of indicator	Indicator	Target
Output	Number of beneficiaries receiving afforestation aid	1,750
	Number of hectares of afforested land	12,000
Result	Areas (ha) under successful land management contributing to:	
	-improvement in biodiversity	18,900
	-improvement in water quality	18,900
	-mitigating climate change	18,900
	- improvement in soil quality	18,900
Impact	Reversal in biodiversity decline (woodland bird species population)	Decline in woodland bird populations reversed by 2020
	Change in ecological condition of: <ul style="list-style-type: none"> • Natura 2000 sites • Woodland SSSIs • Native woodland 	95% of Natura 2000 and other SSSI sites in favourable conservation status by 2010. Target for native woodland to be confirmed later.
	Contribution of new woodland to improving water quality: area of new woodland in priority catchments	Target to be set once priority catchments agreed

Note: the targets in this table are for measures 221 and 223 combined.

Table 5-24 - Additional indicators for establishment of permanent woodland

Type of indicator	Indicator	Target
Additional result	Area of new woodland created with open public access (ha)	1,400
	Area of new woodland with public access in priority locations (ha)	1,100
Additional impact	Net increase in carbon sequestration as a result of the area of woodland created under the RDPE	To be confirmed
	Proportion of new woodland contributing to habitat networks and adaptation to climate change	Target to be set once indicator finalised

5.2.6 First afforestation of non-agricultural land

Article	Articles 36 (b) (iii), 45 and 50(6) of Regulation (EC) No 1698/2005. Article 30 and point 5.3.2.2.3 of Annex II of Regulation (EC) No 1974/2006
Measure Code	223

5.2.6.1 Rationale for intervention

446. It is intended to use this measure to support the establishment of permanent woodland on non-agricultural land using the English Woodland Grant Scheme. This measure will be used in a similar but complementary manner to measure 221. The second aim of UK Forestry Policy is 'a continued steady expansion of our woodland to provide more benefits for society and our environment'. This is reiterated in the Strategy for England's Trees, Woods and Forests (ETWF) and supported in all eight of the Regional Forestry Frameworks. There is evidence that government intervention in forestry is required to overcome market failure in recreation, carbon sequestration, watershed regulation, biodiversity conservation, landscape amenity and air pollution reduction. This work further demonstrated three areas of intervention with the potential for substantial net benefit:

- visible amenity planting, particularly in peri-urban areas;
- access to woodlands procured around towns; and
- extending biodiversity through planting of native broadleaved woodland and the extension of woodland around ancient semi-natural woodland sites. The biodiversity benefits would be highest where new woodlands buffer or link existing woodlands of high conservation value.

447. One of the priorities for the recently refreshed England Biodiversity Strategy is improving education and public understanding of biodiversity. One of the indicators proposed for the strategy is the area of woodland available for public access. Non-agricultural land close to centres of population will provide opportunities for the creation of woodland in locations where public usage is likely to be high and public enjoyment and understanding can be enhanced.

448. The Strategy for England's Trees, Woods and Forests (ETWF) seeks to increase the area of former industrial land that is reclaimed to forestry, but this measure will only be used where other policy instruments such as statutory mineral restoration plans cannot be applied.

5.2.6.2 Objectives of the Measure

449. To contribute to the protection of the environment and to mitigate and assist in the adaptation to climate change by increasing forest cover throughout England through the first afforestation of non-agricultural land. To maximise the public benefit afforestation will be targeted:

- close to centres of population where there is inadequate provision of access to existing woodland;
- to enhance ex-industrial and other low-quality landscapes;
- to enlarge or create habitat networks of high nature value woodlands which are frequently of small individual size and fragmented.

450. All woodland creation will be adapted to local conditions and meet standards for protecting and enhancing biodiversity, recreation, water, heritage and landscape.

5.2.6.3 Scope and actions

451. Support for the afforestation of agricultural land is primarily delivered under the English Woodland Grant Scheme (EWGS). EWGS grants for afforestation comprise two components; the basic contribution to costs (the Woodland Creation Grant) and Additional Contributions to cost. Every agreement receives the Woodland Creation Grant but Additional Contributions are applied only where additional targeting criteria are also met. The Additional Contributions and their criteria are set out in the section on Aid Intensity.

452. The aid provided by EWGS for first afforestation of non-agriculture land is limited to:

- establishment costs (Article 45(1) of Council Regulation (EC) No. 1698/2005) – an area-based standard grant, paid in two instalments of 80% after planting and 20% five years later, or 100% after planting in the case of broadleaves grown at wide spacing.

5.2.6.4 Provisions and criteria for the designation of areas to be afforested

453. This measure will apply to land that does not meet the definition of agricultural land as expressed in measure 221.

454. The whole of England will be designated as suitable for first afforestation of non-agricultural land to mitigate climate change, but the additional steps described below will be taken to ensure that such afforestation is appropriately sited.

5.2.6.5 Provisions ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity

455. Under EWGS rules and the UK Forestry Standard, non-agricultural land to be afforested is treated no differently from agricultural land in terms of the environmental checks and balances, and administrative procedures applied to select areas and applications for support. The provisions set out for the afforestation of agricultural land for measure 221 concerning Environmental Standards, Appropriate Assessments, Public Consultation, Scoring Mechanisms and Challenge funds also apply to the afforestation of non-agricultural land.

5.2.6.6 Description of the methodology for the calculation of establishment and maintenance costs

456. The methods and costs set out for the afforestation of agricultural land for measure 221 also apply to the afforestation of non-agricultural land. As for measure 221 the cost models used may be refined and adjusted in the future to ensure maximum effectiveness.

457. To substantiate and confirm the adequacy and accuracy of establishment cost payments as detailed in Article 48 (2) of Regulation 1974/2006 an independent organisation was engaged³⁶ by the Forestry Commission to validate standard costs and methodology. The standard costs and models have been adjusted accordingly.

458. The costs, grants and additional contributions, and therefore the aid intensity rates and limits, for the afforestation of agricultural land detailed for measure 221 also apply to the afforestation of non-agricultural land, with the exception that payments to compensate for agricultural income forgone cannot be made. As for Measure 221 no annual maintenance payments will be made (Article 43 (1)(b) of (EC) Regulation No1698/2005).

³⁶ Mr Guy Watt, a forest economist, of Clegg Consulting Ltd (Business, Economic and Rural development Consultants)

5.2.6.7 Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy

459. The ETWF has as an aim to provide a resource of trees, woods and forests in places where they contribute most in terms of environmental, economic and social benefits now and for future generations.

460. All eight of the Regional Forestry Frameworks (RFF) also contain objectives to target increases in woodland cover to areas close to centres of population and to extend high nature value woodlands. For example the North West England RFF has as an action points:

- to promote woodlands as a viable tool in the regeneration and reclamation of derelict land;
- the linkage and expansion of existing areas of woodland, if carried out sensitively, will create more functional and biologically diverse habitats, addressing the effect of our fragmented woodlands.

5.2.6.8 Forest Protection Plans

461. In regard to the application of the European Forest Fire Information System (EFFIS), all areas of England are classed as very low or low risk in all seasons.

5.2.6.9 Financing

Maximum Public Contribution

462. Establishment of permanent woodland: the total of the Woodland Creation Grant and any Additional Contributions paid under any agreement will not exceed 70% of the total costs of the plantations as set out in Table 5-17, Table 5-18, and Table 5-19 of measure 221.

463. Where proposals address CAP Health-Check 'new challenges' (climate change, biodiversity, renewable energy, water management and dairy sector restructuring), the maximum aid intensity rate under this measure will be increased by 10%. This increase applies only to the WCG element and Additional Contributions.

5.2.6.10 Quantified targets for EU common indicators

464. All indicators and targets will be the same as for measure 221 (Afforestation of agricultural land). The only change will be to the sub-categories for previous land use recorded under the output indicators, which will be widened to include 'Industrial/mineral' and 'Other non-agricultural'.

Table 5-25 - Establishment of permanent woodland (see note below)

Type of indicator	Indicator	Target
Output	Number of beneficiaries receiving afforestation aid	400
	Number of hectares of afforested land	1,500ha
Result	Areas under successful land management contributing to:	
	-improvement in biodiversity	4,300
	-improvement in water quality	4,300
	-mitigating climate change	4,300
Impact	- improvement in soil quality	4,300
	Reversal in biodiversity decline (woodland bird species population)	Decline in woodland bird populations reversed by 2020
	Change in ecological condition of: <ul style="list-style-type: none"> • Natura 2000 sites • Woodland SSSIs • Native woodland 	95% of Natura 2000 and other SSSI sites in favourable conservation status by 2010. Target for native woodland to be confirmed later.
	Contribution of new woodland to improving water quality: area of new woodland in priority catchments	Target to be set once priority catchments agreed

Note: the targets in this table are for measures 221 and 223 combined.

Table 5-26 - Additional indicators for establishment of permanent woodland

Type of indicator	Indicator	Target
Additional result	Area of new woodland created with open public access (ha)	700
	Area of new woodland with public access in priority locations (ha)	650
Additional impact	Net increase in carbon sequestration as a result of the area of woodland created under the RDPE	To be confirmed
	Proportion of new woodland contributing to habitat networks and adaptation to climate change	Target to be set once indicator finalised

5.2.7 Forest environment payments

Article	Articles 36 (b) (v) and 47 of Regulation (EC) No 1698/2005. Article 30 of Regulation (EC) No 1974/2006 Point 5.3.2.2.5 of Annex II of Regulation (EC) No 1974/2006.
Measure Code	225

5.2.7.1 Rationale for intervention

465. The first aim of UK Forestry Policy is the sustainable management of existing woods and forests. This is reflected in the Strategy for England's Trees, Woods and Forests (ETWF), which includes a commitment to support the management of existing woodland, particularly that which is ancient or native. A number of adverse trends affecting the biodiversity of such woodland, including a decline in the abundance and diversity of ground flora, birds and butterflies, have been identified. Although there are a number of causes of these declines, the cessation of traditional forms of woodland management and increased grazing by deer are thought to be important causal factors (see Section 3.1.2.2).

466. Intervention is required to support annual or regular management operations to reverse such declines and to enhance the biodiversity interests. Such management will be over and above that required as the statutory minimum, that is, that needed to meet the requirements of the UK Forestry Standard.

5.2.7.2 Objectives of the Measure

467. To increase the area of woodland, particularly that of High Nature Value, that is being managed in a manner that will protect its public interest and enhance the environmental benefits it provides, through voluntary commitments by forest holders.

5.2.7.3 Scope and actions

468. Support for the management of existing woodland is primarily delivered under the English Woodland Grant Scheme (EWGS). The aid provided by EWGS includes:

- Forest Environment Payments – an area-based standard grant paid in five annual instalments and called Woodland Management Grant (WMG).

469. Applications must be from private woodland owners or associations of woodland owners making a joint application for adjoining woodland properties or municipalities or their associations.

470. To be eligible for this grant, woodland owners must agree to undertake work that develops or maintains the woodland condition in a state where they can be managed in a sustainable manner. This means that the landowner must assess, consider and record the existing and potential environmental and social values. Also to be eligible woodland properties above a minimum size (currently 100 ha.) must already be certified to the UK Woodland Assurance Standard (UKWAS), for which a full management plan will have been prepared. The landowner is required to strike a balance to ensure that the management undertaken achieves the owners' objectives but also protects and enhances the environmental and social values of the woodlands.

471. The work that may be undertaken for WMG is prescribed to ensure that due consideration is given to a wide range of work options and that the appropriate standards are understood and met.

472. The eligible work is described in full in the scheme literature and it covers a range of the most common actions and factors that contribute to maintaining woodland condition

and sustainability in England. These will be kept under review and modified as required, but initially will include:

- management to benefit biodiversity interest and protect the woodland resource sustainability monitoring;
- soil and ground water protection – e.g. reducing the effects of the adjacent use of fertilisers, fuels, oils and farm sprays etc;
- woodland light management (canopy); e.g. action to reduce very heavy shade and create varied shade in riparian zones and adjacent to open spaces, action to create areas of dappled shade for woodland plant communities, actions to reduce canopy density to encourage natural regeneration of trees, native shrub layer and woodland plants.
- woodland open space management (floor) – e.g. cyclical management of woodland edges and open spaces appropriate to the particular biodiversity values of the woodland; maintenance of predominantly graded edges for major rides, glades and riparian zones.
- management of deadwood habitat;
- management of veteran trees – e.g. the careful and gradual removal of heavy shade from veteran trees.
- maintenance of woodland boundaries;
- grey squirrel control –e.g. in the red squirrel reserves in northern England, woodlands to be managed as per the Red squirrel reserve and buffer zone management guidelines and which must be undertaken in accordance with the guidance provided in Forestry Commission Forestry Practice note No 4 'Controlling Grey Squirrel Damage to Woodlands' updated in August 2007;;
- controlling non-native species – e.g. action to reduce or prevent further spread of invasive non-native tree species and other species such as rhododendron, Himalayan balsam, and Japanese knotweed,
- managing the impacts of deer.

473. The EWGS requires the applicant to specify the work from the above list that will be undertaken as necessary, to meet the needs of the woodland, as determined by the assessment or management plan.

474. Where the resources available for this measure will not permit all applications which meet the general eligibility criteria for WMG to be funded, applications will be selected by limiting eligibility to those supporting specified targeted environmental and biodiversity priorities. The priorities will be selected to specifically enhance biodiversity or preserve high-value forest ecosystems or reinforce the protective value of forests with respect to soil erosion, maintenance of water resources and water quality and natural hazards.

475. The Forestry Commission will determine the priorities with reference to the ETWF and delivery policies and the objectives of national and regional action plans, such as BAP, Habitat Action Plans and Regional Forestry Action Plans. The priority criteria for funding will be published as eligibility criteria for WMGs in EWGS literature.

476. Examples of the priorities that may used to select applications include:

- woodland within SSSIs (including woodlands in SACs and SPAs);
- ancient woodlands and their sites;
- semi-natural woodlands;
- semi-natural and native woodland habitats;
- protected or threatened woodland species.

477. These priorities may change during the period of the programme.

5.2.7.4 Justification for the commitments, based on their expected environmental impact in relation to environmental needs and priorities

478. There are no mandatory requirements placed on owners to undertake work in woodlands. Where a woodland owner chooses to undertake work, there may be a requirement to obtain permission for the work or a licence to fell trees. This requirement allows the Forestry Commission or other competent authority to prevent detrimental work from taking place but there is no mandatory requirement on any woodland owner to undertake beneficial work, or to manage the woodland in sustainable ways to meet domestic, European and international commitments and objectives.

479. The intensive management of adjoining land affects the viability of the sensitive species, soils and ecosystems within the small fragmented woodlands generally found in England. This, along with inadequate or inappropriate past management, causes degradation of habitat, even in some of the most important and potentially species-rich woodlands and has resulted in a very simplified structure, depleted woodland species and an impoverished habitat range.

480. Often philanthropic management has arisen from decisions to forego income generating activity such as rotational crop felling and rigorous silvicultural thinning, and it has also created conditions, such as species composition and tree densities that have reduced the income potential from the tree crops further still.

481. Woodland economies have continually declined over the past 50 years and any management activity that does not directly result in the sale of high quality timber generally results in a financial loss. Other woodland income, commonly arising from shooting leases and intensive recreational use, can help offset this loss but these can have adverse impacts on the woodland resource.

482. A growing number of woodland owners are opting to certify their woodlands to the UK Woodland Assurance Standard to be able to access timber markets when they have the opportunity to produce marketable timber at an acceptable cost. Whilst certified status is conditional upon sustainable management taking place, certification itself is a voluntary process and does not represent a mandatory requirement on the woodland owner.

483. WMG delivered under the EWGS aims to help reduce the impacts of this market failure and provide owners with a contribution to the costs of voluntarily undertaking beneficial work to enhance the public benefits of their woodlands.

5.2.7.5 Calculations

484. This section provides a description of the methodology and of the assumptions and parameters used as reference point for the calculations justifying additional costs and income foregone resulting from the commitment given.

485. Each of the operations listed above are voluntary, additional operations that will be undertaken as necessary to address the needs of the woodland.

486. All the costs necessary for each operation eligible for grant are valued using expert knowledge, information and judgement from representatives of the industry's professional bodies and practitioners. These standard-cost models will be set for the start of the programme and reviewed at least once more during the programming period.

487. Where a particular cost element is not always required on every site or operation, a judgement is made on the likelihood that the cost would be incurred, and an equivalent percentage of the total cost is applied to the standard cost model.

488. Where a cost is known to have significant variances around England (principally due to failure of market competition locally), the range of known values is considered and an appropriate intermediary value is chosen for incorporation into the standard cost model. This is not calculated as an average because the choice of this value takes into account

the requirement to ensure that any potential risk of overcompensation within the total standard cost model is minimised.

489. The application for aid sets out the eligible area and specifies the combination of the operations to be undertaken. Part of the assessment of the application involves using the cost models to determine that the total standard cost of the proposed work is greater than the total grant that would be payable. If this condition is not met then the application is not eligible.

Cost basis

490. The standard costs are based on the cost of using contractors to supply the operations and services and so recognise the market value of any benefit in kind contributions by the beneficiary or other volunteers. Costs will be reviewed at regular intervals and standard-cost amended as necessary.

Costs not included

491. The costs do not include elements of fixed investment costs by the beneficiary such as contract agreement and management, machinery purchase, buildings or financing.

5.2.7.6 Evidence as referred to in article 48(2) of Regulation 1974/2006 allowing the Commission to check consistency and plausibility of the calculations

492. To substantiate and confirm the adequacy and accuracy of establishment cost payments as detailed in Article 48 (2) of Regulation 1974/2006 an independent organisation was engaged³⁷ by the Forestry Commission to validate standard costs and methodology. The standard costs and models have been adjusted accordingly.

5.2.7.7 Amount of support

493. Forest Environment Payments (Woodland Management Grant under EWGS) are £30 per hectare per year for five years. It is anticipated that this represents an average contribution to eligible costs of between 20 and 50% and in any event will not exceed 100%. This rate may change during the course of the programme as a result of any amendment to standard-costs that may arise.

5.2.7.8 Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy

494. The Strategy for England's Trees, Woods and Forests (ETWF) includes a commitment to support the management of existing woodland particularly that designated as ancient semi-natural using the approaches described in the UK Forestry Standard.

495. All eight of the Regional Forestry Frameworks (RFF) highlight the importance of management of ancient semi-natural woodlands, for example that for South West England contains:

- woodlands and forestry increasingly contributing to natural resource protection and biodiversity; and
- protect, improve and manage ancient semi-natural woodland.

496. Whilst the RFF for the North East of England seeks to:

- address threats to ancient semi-natural woodlands, improve their condition and support the implementation of management plans as an action to deliver Sustained and improved ancient woodlands.
- The EU Forest Action Plan to implement the Community Forestry Strategy contains an objective to maintain and appropriately enhance biodiversity, carbon

³⁷ Mr Guy Watt, a forest economist, of Clegg Consulting Ltd (Business, Economic and Rural development Consultants)

sequestration, integrity, health and resilience of forest ecosystems at multiple geographical scales.

5.2.7.9 Forest Protection Plans

497. In regard to the application of the European Forest Fire Information System (EFFIS), all areas of England are classed as very low or low risk in all seasons.

Quantified targets for EU common indicators

Table 5-27 Forest Environment payments

Type of indicator	Indicator	Target
Output	Number of beneficiaries receiving support	1,500
	Forest area under support	100,000 hectares
	Number of contracts	1,500
	Physical forest area under support	100,000 hectares
Result	Areas under successful land management contributing to:	All areas under support through this measure will contribute to this result
	-improvement in biodiversity	95,000 hectares
	-improvement in water quality	100,000 hectares
	-mitigating climate change	100,000 hectares
	- improvement in soil quality	100,000 hectares
Impact	Change in high nature value areas	95% of Natura 2000 and other SSSI sites to be in favourable condition by 2010 An additional target for native woodland will be confirmed later.

Additional programme-specific indicators

Table 5-28

Type of indicator	Indicator	Target
Result	Area of woodland receiving support which is also:	
	• Natura 2000	10,000 ha Natura
	• SSSI	35,000 ha of SSSI
	• Ancient of native	80,000 ha of ancient or native

Support for non-productive investments.

Article	Articles 36 (b) (vii) and 49 of Regulation (EC) No 1698/2005. Article 30 of Regulation (EC) No 1974/2006 Point 5.3.2.2.7 of Annex II of Regulation (EC) No 1974/2006.
Measure Code	227

5.2.7.10 Rationale for intervention

498. The first aim of UK Forestry Policy is the sustainable management of existing woods and forests. The rationale for this is explained under the Forest Environment Payments Measure (225). While many of the management needs of existing woods can be addressed through the types of regular management supported by measure 225, woods may first need to be assessed and the management requirements planned. In some cases, more intensive but non-recurring intervention may also be needed.

499. A number of the problems mentioned in Section 3.1.3.2 may need to be addressed in this way. A good example is the control of invasive Rhododendron. Where this species has become dominant, the impact of the invasion on the environmental and social value of the wood may need to be assessed and the management planned. There will then need to be a programme of clearance work, followed by maintenance to avoid re-invasion. The assessment, planning and clearance may all require capital investment. Another example is the restoration of ancient semi-natural woodland that was converted to coniferous plantation in the past (see Section 3.1.3.2).

5.2.7.11 Objectives of the Measure

500. To support forest holders for non-remunerative investments where they are necessary to achieve forest-environment commitments and other environmental objectives, or to protect the public interest in the woodland and enhance the public benefits it is providing.

5.2.7.12 Scope and actions

501. Support for the management of existing woodland is primarily delivered under the EWGS. Applications must be from woodland owners or associations of woodland owners making a joint application for adjoining woodland properties. In the first instance the aid provided by EWGS will initially include three types of non-productive investment types:

- Woodland Planning Grants that contribute to the costs of preparing a woodland management plan to consider and direct opportunities for sustainable working across the whole woodland holding;
- Woodland Assessment Grants that contribute to the costs of determining the extent of important environmental and social aspects of the woodland to prevent work taking place, unknowingly, in unsustainable ways;
- Woodland Improvement Grants that contribute towards the costs of improving the environmental and social values of woodland, and the costs of creating new environmental and social public benefits from woodlands. This grant can be used to support changes that are required to complement work supported by Forest Environment Payments (Woodland Management Grant) under measure 225 or to implement actions identified through the Woodland Assessment or Woodland Planning processes under this measure.

5.2.7.13 Definition of operations to be supported

502. The categories of investment and the type of work that qualifies will be kept under review and modified if required, but initially the following operations will be supported.

Woodland Planning Grant (WPG)

503. The application for support to prepare a management plan must exceed a minimum size threshold (initially set at 3 ha). In addition, the woodland cannot be certified to the UK Woodland Assurance Standard (UKWAS) at the time of application as that status requires the landowner to prepare a management plan. Any plan supported by this grant must however meet the same published requirements as an UKWAS Management Plan to ensure that quality standards are consistent and that sustainability issues are fully addressed.

504. To be eligible for a payment the applicant must produce a plan that covers the following areas:

- Background information – location and context
- Woodland information – designations and features (e.g. habitats, archaeological features); woodland resource; site description; significant hazards, constraints and threats.
- Long term vision, management objectives and strategy
- Management prescriptions/operations – silvicultural systems; new planting; other operations (e.g. thinning, pruning and changing the structure/species composition of the existing forests for ecological/environmental or public amenity purposes); protection and maintenance; game management; protecting and enhancing biodiversity; management of cultural and social values.
- Consultation
- Monitoring plan
- Work programmes – long term; short term
- Maps – supporting the above.

505. An application to support the preparation of a management plan for primarily economic forestry activity would not be eligible under this measure but may be under Measure 122 (Improving the Economic Value of forests).

Woodland Assessment Grant (WAG)

506. To be eligible for this grant the applicant must be proposing to prepare a plan or to seek grants or a permission to undertake work in woodland that, in the Forestry Commission's view, is likely to have important environmental and social values. Where an assessment of the impact of the proposed work requires significant further specific information the applicant may seek WAG support for this. The purpose of the support is to improve the sustainable management of woodland by ensuring that management decisions are based on a good knowledge of the sensitivities and needs of the woodland, and the opportunities to derive public benefits.

507. The assessment required will be specified by the Forestry Commission according to the information needs and will be limited solely to the specific information needed. The grant will not be offered where the information is not required by the Forestry Commission in order to discharge satisfactorily its statutory duties or deliver other grants. This grant cannot be paid on a non-woodland site or a site proposed for afforestation and will not be offered where the information is readily available or is a mandatory requirement for any purpose other than to inform the approval and delivery of support under this programme.

508. The assessments to be supported will be kept under review, but initially will be limited to the following types:

- ecological assessment in diverse or ecologically sensitive woodland (e.g. ancient or semi-natural woodland) where the work proposed is likely to have a significant impact;
- landscape design in sensitive or prominent landscapes, where the planned scale or type of operations could potentially have significant visual impact;

- historic and cultural assessment where there is evidence on the site of an interest that the proposals will affect, or where local knowledge identifies a value in an assessment, prior to work taking place in woodland;
- stakeholder interest where a stakeholder or community meeting needs to be held to explore likely interest or where such interest has been expressed and needs to be evaluated.

Woodland Improvement Grant (WIG)

509. This grant is delivered through a set of defined funds, available on a regional basis, to target support to projects meeting regional and/or national environmental and social priorities. WIG grants are currently aligned to three main priorities: SSSI Condition, Biodiversity and Public Access. Specifically, funds are available to address issues related to the following priorities:

- improving the condition of woodland SSSIs that are currently in an unfavourable, declining' or an 'unfavourable, stable' condition
- delivery of the UK Biodiversity Action Plan (BAP) regional priorities within England
- delivery of the UK Biodiversity Action Plan (BAP) targets within England
- red squirrel conservation work in Red squirrel reserves and buffer zones
- provision and improvement of facilities for free public access to woodlands where there is a need
- removal, and subsequent replanting with alternative species, of recently planted ash in afforestation schemes that are subject, or likely to become, infected by *Chalara fraxinea*

510. To be eligible for one of these grants the work proposed must meet the published eligibility criteria for a specific WIG fund.

511. Every WIG fund supports only non-productive investments that initiate or secure change to remove threats to, and to take opportunities for, the protection and improvement of public benefits from forests and woodlands. Whilst the availability and eligibility criteria of the various WIG funds will be varied and largely determined regionally, the funds will always fall within the above definition.

512. The Forestry Commission specifies and publishes the WIG fund criteria and sets out the eligible work under each WIG fund. The information on all the WIG funds is also available on the Forestry Commission's website. The WIG fund mechanism is designed to be flexible so that the total investment support available in each year can be targeted effectively to different or new priorities during the Programme period. In this way a particular WIG fund may be available for application throughout the entire Programme period or for a shorter time to allow the WIG fund criteria to be adjusted during the Programme period. New criteria may be introduced during the course of the Programme if new priorities arise.

513. The criteria used to define the availability and eligibility may typically use factors such as regional and national priority actions, location, designation and status, woodland type, habitat type, biodiversity and species conservation, public access status and condition, visual and social value and the timing of the application and proposed work. The support may include programmes of investment work as well as the purchase and installation of capital items. A fund may be specified to require applications to be assessed on a competitive bid, or 'challenge' basis to secure best value for limited funds.

Grants under this measure are delivered through the use of standard costs

514. The woodland operations, tasks and items eligible for funding under this measure are specified and valued using expert knowledge, information and judgement from representatives of the industry's professional bodies and practitioners. These standard

costs and cost models will be set for the start of the programme and reviewed at least once more during the programming period.

515. To substantiate and confirm the adequacy and accuracy of establishment cost payments as detailed in Article 48 (2) of Regulation 1974/2006 an independent organisation was engaged ³⁸ by the Forestry Commission to validate standard costs and methodology. The standard costs and models have been adjusted accordingly.

516. Where a particular element of a standard cost is not always required on every site or operation, a judgement is made on the likelihood that the cost would be incurred, and an equivalent percentage of the total cost is applied to the standard cost model.

517. Where a cost is known to have significant variances around England (principally due to failure of market competition locally) a regional standard cost is published or alternatively, the range of known values is considered and an appropriate intermediary value is chosen for incorporation into the standard cost. This is not calculated as an average because the choice of this value takes into account the requirement to ensure that any potential risk of overcompensation is minimised.

518. The application for aid sets out the chosen eligible operations and quantities. Applications that are acceptable under EWGS rules then have the published standard costs applied to determine the total eligible cost of the project. The grant is then determined as a set proportion of the eligible costs.

519. The standard costs are based on the cost of using contractors to supply the operations and services and so recognise the market value of any benefit in kind contributions by the beneficiary or other volunteers.

5.2.7.14 Aid Intensity

Woodland Planning Grant

520. Currently, this grant is paid at £20 per hectare for the first 100ha and £10 per hectare for additional areas over 100ha, all subject to a minimum payment of £1000. This recognises the overhead costs of producing a plan for even a small area of woodland. This contributes to eligible costs at a rate of 63% for a 3ha plan reducing progressively to (for example) 42% for a 100ha plan. Over the period of the programme, the rates of payment per hectare and minimum payment are likely to change but in no case will it exceed 100% of standard costs.

Woodland Assessment Grant

521. This grant will initially be paid at the rates set out in Table 5-29 below, subject to a minimum payment of £300, which recognises the costs of bringing specialist advisors to site for even small areas. It also acknowledges that ecological, historic, and cultural assessments, in particular, will only be needed in parts of larger woodlands. These rates provide aid at approximately 80% of cost.

Table 5-29

Assessment Type	Grant Rate
Ecological	£5.60 per hectare
Landscape design	£2.80 per hectare

³⁸ Mr Guy Watt, a forest economist, of Clegg Consulting Ltd (Business, Economic and Rural development Consultants)

Historic and cultural assessment	£5.60 per hectare
Stakeholder	£300 each

EC Co-financing of Woodland Planning and Woodland Assessment Grants

522. Co-financing for WPG and WAG payments will not be claimed by the Forestry Commission upon payment of a claim for WPG/WAG. However, should woodland management commence within 5 years in areas covered by the plan, co-financing will be claimed on the WPG/WAG payments. For clarity, the indicator of the commencement of woodland management for this purpose will be the payment of a Woodland Management Grant, a Woodland Improvement Grant or a Woodland Regeneration Grant under EWGS.

Woodland Improvement Grant

523. This grant is paid as a proportion of eligible standard costs. Each WIG fund has a fixed and published contribution rate and although the aid intensity will vary between them, none will be less than 20% and in any case will not exceed 100% of standard costs.

Woodland Regeneration Grant

524. Woodland Regeneration Grants (WRG) support specified changes in woodland composition following tree felling, for example a change from exotic coniferous species to broadleaves or a conversion from single age plantation to a mixed aged structure. It invests specifically in social and environmental improvement arising from change to woodland composition and provides a contribution to the eligible costs of the restocking of felled, cleared or poorly stocked woodland by planting or encouraging natural growth from seed. It does **not** contribute to normal operating costs or restocking where the felled trees are replaced by equivalent ones.

525. The activity of restocking represents a significant opportunity to implement desirable change in the composition of woodland (particularly in relation to ancient and semi-natural woodland sites) in order to meet sustainability objectives. The primary benefit of investing in change at this point in the woodland cycle is that the balance of values for sustainability purposes can be manipulated most cost-effectively.

526. WRG will only apply to existing woodland areas where tree cover has already been removed or depleted sufficiently to require regeneration. To qualify for WRG, the regeneration work must meet the requirements of the UK Forestry Standard (which sets out the criteria and standards for the sustainable management of all forests and woodlands in the UK) and must also create a specified change to the woodland composition primarily for social and environmental benefits.

Aid Rate

527. WRG provides a contribution to the total eligible costs once felling has been completed. The grant payment will only be made upon the satisfactory completion of the required work. In common with all other components of the EWGS, payment rates are based on standard costs applied to the range of operations required to achieve regeneration. In the case of woodlands being regenerated under normal circumstances four rates of grant payment will be applicable depending on the woodland composition changes achieved. The eligible changes and the relevant rates of grant together with the percentage contribution to standard costs is as follows:

528. Eligible woodland composition changes and rate of grant for WRG

Change in woodland composition from:	Change in woodland composition to:	Grant rate/ hectare	Standard Cost/ hectare	% of standard costs
Conifer plantation	Native species	£1,100	£5,453	20
	Broadleaved species	£950	£5,123	19
	Conifer species	£360	£3,580	10
Broadleaved plantation	Native species	£1,100	£4,895	22
	Broadleaved species	£950	£5,123	19
Conifer plantation on Ancient Woodland Site	Native species	£1,760	£4,895	36
	Broadleaved species	£950	£5,123	19
	Conifer species	£0	£3,580	0
Broadleaved plantation on Ancient Woodland Site	Native species	£1,760	£4,895	36
	Broadleaved species	£950	£5,123	19
Ancient and other semi-natural woodland	Native species	£1,100	£4,895	22

However where trees are felled, frequently prematurely, under a plant health notice where restocking cannot be required the rates of support may be increased to a maximum of 80% of the standard costs of regeneration (i.e. up to £4,400/ha where a conifer plantation is converted to native broadleaved species). This will encourage owners to restock woodlands and thereby ensure the continuation of the ecosystem services provided by that woodland.

5.2.7.15 Description of the link to commitments provided for in Article 36(b)(v) of Regulation (EC) 1698/2005 – forest environment payments - or other environmental objectives

529. The non-productive investments supported by EWGS are compatible with, and complement, the WMG delivered under measure 225. The environmental commitments entered into for WMG are commensurate with the agreed management work to be undertaken. Woodland owners are required to strike a sustainable balance of work and practice to ensure that any work undertaken protects and enhances the environmental and social values of the woodlands. The three grants supporting non-productive investments link with these environmental commitments by supporting the creation of the necessary woodland conditions for sustainable management to take place. Thus:

- the Woodland Plan requires the work to be considered in advance, over the entire woodland property so highlighting the areas where assessments and WIG support is most needed;
- the assessments inform the plan and the work, so that sensitivities and values are understood and any potentially negative effects from the work are removed or mitigated by altering how, or when, the work is done;
- the Improvement Grants support the major environmental and social changes and capital works in the woodland in order to address negative factors or the absence of positive ones, and to build on any opportunities for change that the woodland presents. This creates the basic capacity within the woodland to be managed in a sustainable manner;
- the Management Grants support a planned and informed management cycle for the environmental and social values. This becomes a balanced and integral part of the whole management of the woodland, making the management decisions and practices sustainable in the longer term.

530. Whilst the grants supporting forest environment payments and non-productive investments do complement each other, they can also be applied independently where this meets the requirements of the woodland or the grant scheme, but still supports sustainable management. This allows each woodland property to be supported according to its particular needs. This feature of EWGS significantly increases the focus and precision of the grants and reduces any potential for overcompensation, particularly as, under the rules of the EWGS; it is not possible for the same instance of work to be funded by more than one grant.

531. Therefore, whether or not WMG is applied for, the WIG payments can be specifically targeted to support discrete environmental objectives using the stated mechanisms. In this way, the non-productive investments also support the development of woodland to meet other objectives such as the UK Biodiversity Action Plan, the Habitat Action Plan and the Species Action Plan. The payments can specifically support woodland work in SACs, SPAs and SSSIs as well as biodiversity objectives in ancient and native woodlands and other designated areas.

5.2.7.16 Description of the public amenity values to be enhanced

532. The non-productive investment support will be used to promote management of more woodland and wider use of sustainable management practices through the provision of items and facilities for public access. This underpins the creation, improvement and maintenance of the following public benefits derived from woodlands:

- the quality and character of wooded landscapes and trees in the living and working environment;
- the protection, restoration and enhancement of habitat for woodland species and biodiversity;
- the quality and extent of native woodland and native habitat;
- the protection and care of ancient woodlands and their ecological communities, soils and sites;
- the protection and care of the historic environment in woodlands;
- the quality and extent of public access to woodland for education, health and well being;
- the quality and extent of public access to woodland for relaxation, recreation and sport.

5.2.7.17 Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy

533. The existing England Forestry Strategy contains the following actions:

- to introduce long-term Plans to guide the management of woods and forests;
- to target grants to conserve priority species and help with the preparation of management plans for semi-natural woodlands;
- to target grants to increase the opportunities available to visit woodlands, particularly in areas where there are shortages of access.

534. All eight of the Regional Forestry Frameworks (RFF) also contain objectives to encourage the management of existing woodlands to enhance the environmental and social benefits they provide. For example the RFF for the South East of England contains the following 'Outcomes' and associated 'Outputs':

- Outcome 5. Woodland habitats and species being maintained or brought into good ecological condition;
- Output 5.4. Appropriate support provided to help improve ecological condition in priority woodland sites and landscapes;
- Outcome 2. More people's health and well-being improved through visiting woodlands;
- Output 2.3. Removal of perceived 'barriers', to the use of woodlands, e.g. provision of higher quality facilities in appropriate areas.

535. The RFF for the East of England contains the following Initiatives and Actions:

- promote the establishment and management of woodland within an integrated, functional landscape to protect the historic environment and enhance biodiversity;
- promote base surveys and management plans to protect and enhance the natural and historic environment of woodlands;
- support a strategic approach to public access provision, to ensure that woodland is an integral part of wider green-space and access strategies and programmes;
- create high quality waymarked routes suitable for all, additional information for visitors and improved facilities at key sites.

536. The EU Forest Action Plan to implement the Community Forestry Strategy contains objectives to:

- maintain and appropriately enhance biodiversity, carbon sequestration, integrity, health and resilience of forest ecosystems at multiple geographical scales; and
- contribute to the quality of life by preserving and improving the social and cultural dimensions of forests.

5.2.7.18 Forest Protection Plans

537. In regard to the application of the European Forest Fire Information System (EFFIS), all areas of England are classed as very low or low risk in all seasons.

5.2.7.19 Financing

Related State Aid

538. Whenever the funding that is made available to co-finance public expenditure on forestry measures is fully taken up in a given financial year the EWGS grants will continue to be paid. These payments will be in line with the arrangements set out above, but will be made as 'top-up' State Aids approved under this programme.

539. Wherever a beneficiary ceases to be eligible for co-financed funds after a grant agreement has been made, the EWGS grants may continue to be paid after that date where this would be in accordance with the rules of the scheme. These payments will still be in line with the arrangements set out above, but will be made under a separate State Aid approval until the agreement is completed or otherwise expires.

5.2.9.12 Quantified targets for EU common indicators

Table 5-30

Type of indicator	Indicator	Target
Output	Number of supported forest holders	9,000
	Total area on which payments made	210,000
	Total volume of investment (€m)	€117m
Result	Areas under successful land management contributing to:	
	-improvement in biodiversity	250,000 ha
	-improvement in water quality	300,000 ha
	-mitigating climate change	300,000 ha
	- improvement in soil quality	300,000 ha
Additional Output	Number of hectares of woodland subject to:	
	- Planning regeneration	150,000
	- Improvement grants	300,000
	Number of hectares of woodland supported by WIG for biodiversity	200,000
	Number of hectares of woodland supported by WIG for access, recreational or educational benefits.	28,000
Additional Result	Area in receipt of WIG payments which is also:	
	<ul style="list-style-type: none"> • Natura 2000 • SSSI • Native 	12,000 ha 75,00 ha 180,000 ha
	Production of renewable materials and energy as revealed by:	
	Area actually felled, and on which regeneration grants claimed.	6,000 ha
Impact	Change in high nature value areas	95% of Natura 2000 and other SSSI sites in favourable conservation status by 2010.

5.3 AXIS 3: Quality of life in rural areas and diversification of the rural economy

5.3.1 General Provisions

5.3.1.1 Eligible Expenditure

540. The Defra RDPE Delivery Team will deliver the majority of the resources available under Axis 3 of the Programme. The exception is a small amount that will be delivered by Natural England: a small amount of Axis 3 funding will fund some elements of the Environmental Stewardship agri-environment scheme, aimed at promoting public access and for the maintenance and protection of historic buildings on farmland.

541. The additional support made available through the European Economic Recovery Plan (EERP) will, in part, be targeted towards rural broadband and made available under Axis 3 measures, specifically Measure 321 – *Basic services for the economy and rural population*. The Regional Development Agencies will also be responsible for the delivery of this additional support.

542. The Defra RDPE Delivery Team approach to delivery will include the use of operators responsible for implementing operations on their behalf. These operators will be engaged in activities such as promotion of opportunities under the Programme; facilitation and support for business planning; administrative checks on applications for support; project assessment and approval; claim processing and authorisation; monitoring and compliance and mentoring and aftercare for projects. Some of these operators may be eligible to receive support as beneficiaries of the Programme, where they conform to the eligibility requirements of specific measures.

543. In the case of investments, eligible expenses shall be limited to:

- the construction, acquisition, including through leasing, or improvement of immoveable property;
- the purchase or lease-purchase or hire-purchase of new machinery and equipment, including computer software, up to the market value of the asset. Other costs connected with the leasing contract, such as leaser's margin, interest refinancing costs, overheads and insurance charges shall not be eligible expenditure;
- general costs linked to expenditure referred to above such as architects', engineers' and consultation fees, feasibility studies, the acquisition of patent rights and licences;
- second-hand equipment may be regarded as eligible expenditure for micro, small and medium-sized enterprises³⁹.
- in Environmental Stewardship, the costs involved with scheme options focused on the restoration and upgrading of the cultural heritage

Ongoing operations/contracts from the previous period

544. The financial commitments, detailed by measure, entered into under the previous programming period, which will be financed, from the Rural Development Programme for England 2007 – 2013 under this Axis are detailed in the Correlation table for measures provided for in Regulation (EC) No 1257/1999 and Regulation (EC) No 1698/2005 at Annex 1 to Chapter 5.

5.3.1.2 Use of Standard Costs and in kind Contributions

545. For measures with investments in kind, contributions of a public or private beneficiary, namely the provision of goods or services for which no cash payment supported by invoices or equivalent documents is made, may be eligible expenditure provided that the following conditions are met.

³⁹ OJ L 124, 20.5.2003, p. 36.

- the contributions consist in the provision of land or real estate, equipment or raw materials, research or professional work or unpaid voluntary work;
- their value can be independently assessed and verified;
- in the case of provision of land or real estate, the value shall be certified by an independent qualified expert or duly authorised official body;
- in the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rate of remuneration for equivalent work, where relevant on the basis of ex-ante established system of standard costing, provided that the control system provides reasonable assurance that the work has been carried out⁴⁰;
- public expenditure co-financed by the EAFRD, contributing to an operation which includes in-kind contributions shall not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation.

5.3.1.3 Investment Appraisal

546. The investment appraisal follows the requirements in the Department for Business, Innovation and Skills in Appraisal, Delivery and Evaluation ([GRADE](#))⁴¹. GRADE is based on the requirements in the UK Treasury's [Green Book](#)⁴² and supplements that apply to all policy, programmes and projects. The guidance sets out a framework within which project development, appraisal, delivery and evaluation systems are designed. The Defra RDPE Delivery Team approach adheres to the following principles:

- the system must be universally applied, rigorous, decision orientated, open and transparent and subject to continuous improvement;
- all projects are appraised before any expenditure is committed. The appraisal must include justification that a) there is a clearly identified need for intervention and b) that any proposed intervention is cost effective and adds value

547. The assessment extends from appraisal prior to making an investment decision through delivery to evaluation on completion of the project. A primary consideration of the appraisal processes is appraisal of the rationale for intervention in a specific project i.e. what market failure(s) or equity objective(s) the project addresses to justify why the Defra RDPE Delivery Team needs to intervene to achieve the project objectives.

548. In order to secure support, individual projects will also have to demonstrate how the project contributes to Defra's objectives and set output targets to be achieved by the project.

549. Good appraisal practice is fundamental to ensuring that the best value for money is obtained from public expenditure. In assessing the extent to which support will contribute towards improving the overall performance of the enterprise(s), the following criteria will be taken into account:

- clearly defined objectives reflecting identified structural and territorial needs;
- a demonstrable need for public support;
- evidence of solvency and a sound and satisfactory track record.

Targeting Investment

550. Targeting of activity under Axis 3, as for Axis 1, will, in general, be undertaken at a regional level for the remainder of 2011/12 although within a strongly-defined framework of national priorities. The direction of travel is towards creating more national consistency in

⁴⁰ This does not include the applicants' own labour where this is a significant element of the cost

⁴¹ It replaced the DTI Single Programme Appraisal Guidance (SPAG) from April 2008.

⁴² *The Green Book - Appraisal and Evaluation in Central Government* HM Treasury 2003

the targeting of activity. The Defra RDPE Delivery Team will have particular regard to uplands when deciding which areas resources will be allocated to.

551. There may also be sectoral targeting on certain types of activity, for example:

- farmers wishing to diversify their businesses;
- micro-business growth;
- small-scale tourism activity.

552. There may also be thematic targeting - requiring projects to demonstrate characteristics such as:

- benefits to the wider rural community;
- environmental sustainability;
- entrepreneurship;
- combinations of the above.

5.3.2 Diversification into non-agricultural activities

Article	Articles 52(a)(i) and 53 of Regulation (EC) No 1698/2005
Measure Code	311

5.3.2.1 Rationale for Intervention

553. Agriculture is going through some key economic changes at the current time, particularly influenced by the 2003 CAP reforms, which will further expose farmers to market forces and free them from the constraints of coupled direct payments, but also provides new business challenges. The benefits of farm diversification to farms are clear, with diversified enterprises providing a quarter or more of total farm incomes in over half of businesses with diversified enterprises. Grant funding for farms can also help to lever in other forms of investment, contributing to the viability of farms through building capacity and increasing the scale of operation. Farm diversification can also have wider benefits beyond the farm gate, especially where there are linkages between farms and the local economy, including increased employment opportunities, although evidence for this is less clear-cut. Care will be taken to ensure that projects deliver additionality, and do not displace other similar business enterprises that are not supported by public funds. Therefore a targeted approach will be taken, with the focus on providing a clear benefit that would not otherwise be delivered

Objectives of the Measure

554. The objective of this measure is to support farm business restructuring through the development of diversified activities that provide alternative income sources.

5.3.2.2 Scope and actions

Eligible Beneficiaries

555. Support under this measure will only be available to members of a farm household as defined⁴³:

“a natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, with the exception of farm workers. Where a member of the farm household is a legal person or group of legal persons, that member must exercise an agricultural activity on the farm at the time of the support application.”

Eligible Activities

556. While a definitive list of diversification activities cannot be provided, domains that might be supported could include:

- retailing, manufacturing or service industries, including self-made products, recreation, equestrian and creative industries (for example, artisan crafts, sculpture);
- environmental services, including the traditional trades required to maintain and enhance the landscape;
- renewable energy, including storage/supply of woodfuel (planting support and forestry processing activity are eligible under other measures).

557. Support will be provided through:

- grant aid towards the costs of capital investment;
- start-up revenue costs (if such support involves salary costs, this investment will be degressive if it is spread over several years);

⁴³ See Article 53 of the Regulation and Article 35 of the implementing Regulation, which defines “ a member of the farm household”.

- market research and feasibility studies, where these are linked to the investment to be made;
- marketing support, product development, branding and design costs;
- technical support to help new businesses become established and to help existing businesses to consolidate and expand.

5.3.2.3 Aid intensity

558. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules. In determining the level and amount of grant available under the RDPE, the appraisal process will take account, inter alia, of: the quality of the business case; the likely commercial return on the investment; level of risk within the project; the level of risk to be borne by the applicant and the public sector; and the applicant's ability to secure commercial funding. Funding at the maximum rate available (i.e. 100%) against eligible project costs will only be awarded in exceptional circumstance.

5.3.2.4 State Aids

559. The requirements of the General Block Exemption Regulation (EC) 800/2008 or the framework for de minimis aid under Commission Regulation 1998/2006 will apply. No additional national aid will be used to support interventions under this measure.

5.3.2.5 Quantified targets for EU Common Indicators

Table 5-31

Type of indicator	Indicator	Target
Output	Number of beneficiaries	2,000
	Total volume of investment (€m)	€143m
Result	Increase in non-agricultural GVA in supported businesses	Businesses supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other similar businesses in England
	Gross number of jobs created (division according to on-farm/off-farm jobs, gender and age category)	25,000 FTE jobs (combined target for measures 311, 312 and 313)
Impact	Economic growth	Businesses supported under the Rural Development Programme for England show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation (division according to on-farm/off-farm jobs, gender and age category)	No specific target set

5.3.2.6 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

5.3.3 Support for the creation and development of micro-enterprises

Article	Articles 52(a)(ii) and 54 of Regulation (EC) No 1698/2005
Measure Code	312

5.3.3.1 Rationale for Intervention

560. In England, micro-enterprises account for approximately 91% of the total number of firms in rural areas and form a vital component of the rural economy providing jobs and underpinning social cohesion. With appropriate help, many micro businesses could be established or expanded to stimulate economic growth, innovation, competitiveness and to create employment opportunities, thus contributing to the EU's Lisbon agenda.

561. Micro enterprises can also be social enterprises⁴⁴. Social enterprises are an effective way of delivering and maintaining services, maintaining employment and providing local solutions to local problems. There is an opportunity to provide support for the development of sustainable rural social enterprises to help improve access to services and opportunities in rural areas.

5.3.3.2 Objectives of the Measure

562. Support for the creation and development of micro-enterprises with a view to promoting entrepreneurship and creating employment opportunities. Given the high proportion of micro-enterprises among rural businesses, a key objective of the measure will be support for achieving the growth aspirations of small rural businesses.

5.3.3.3 Scope and Actions

Eligible Beneficiaries

563. Eligible beneficiaries under this measure are existing micro-enterprises as defined in the Commission Recommendation 2003/361/EC⁴⁵; or persons wishing to set up a new micro-enterprise.

Eligible Activities

564. This measure will provide support to existing micro-enterprises or to persons wishing to set up a new micro-enterprise. While a definitive list of such activities cannot be provided, activities that might be supported include:

- retailing, manufacturing or service industries, including self-made products, recreation, equestrian and creative industries;
- environmental services, including the traditional trades required to maintain and enhance the landscape;
- renewable energy (planting support and forestry processing activity eligible under other measures will not be eligible under this measure);

Eligible Costs

565. The following costs will be eligible for support under this measure:

- grant aid towards the costs of capital investment;
- start-up revenue costs;
- market research and feasibility studies;
- marketing support, product development, branding and design costs;

⁴⁴ A social enterprise is "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners."

⁴⁵ Less than 10 workers and less than 2 MEUR of turnover.

- technical support to help new businesses and social enterprises become established and to help existing businesses and social enterprises to consolidate and expand.

5.3.3.4 Aid intensity

566. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules. In determining the level and amount of grant available under the RDPE, the appraisal process will take account, inter alia, of: the quality of the business case; the likely commercial return on the investment; level of risk within the project; the level of risk to be borne by the applicant and the public sector; and the applicant's ability to secure commercial funding. Funding at the maximum rate available (i.e. 100%) against eligible project costs will only be awarded in exceptional circumstance.

5.3.3.5 State Aids

567. The requirements of the General Block Exemption Regulation (EC) 800/2008 or the framework for de minimis aid under Commission Regulation 1998/2006 will apply. No additional national aid will be used to support interventions under this measure.

5.3.3.6 Quantified targets for EU Common Indicators

Table 5-32

Type of indicator	Indicator	Target
Output	Number of micro-enterprises supported	4,600
Result	Gross number of jobs created	25,000 FTE jobs (combined target for measures 311, 312 and 313)
	Increase in non agricultural gross value added in supported businesses	Businesses supported under the RDPE show an increase in GVA (as measured by growth in profitability) which is equal to or greater than in other similar businesses in England
Impact	Economic growth	Businesses supported under the Rural Development Programme for England show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation	No specific target set

5.3.3.7 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

5.3.4 Encouragement of tourism activities

Article	Articles 52(a)(iii) and 55 of Regulation (EC) No 1698/2005
Measure Code	313

5.3.4.1 Rationale for Intervention

568. The England Rural Development Programme 2000-2006 (and Objective One EAGGF) provided substantial investment for new tourist accommodation and in upgrading tourist accommodation, with some associated marketing. In most parts of the country, there remains limited justification for public intervention at individual business level except where there are significant wider benefits that can be achieved. However, there are opportunities to improve the services offered and make rural tourism more sustainable, e.g. by forging better links between the businesses and their local environmental and cultural assets (including food and drink), and by encouraging collaboration and more effective use of ICT. There is also the potential for investments in recreational infrastructure (e.g. long distance walking, cycling and riding routes) to deliver both economic and health benefits. Further progress needs to be made in improving the environmental performance of the businesses themselves (e.g. through resource efficiency, adoption of renewable energy; and promoting the use of public transport and car-free holidays). It is in areas such as these that targeted intervention is needed.

569. Rural tourism activity is fundamentally linked to the local environmental, landscape and heritage offer. As such, sustainable tourism is a priority area of development for rural tourism in England. Designated land, such as National Parks, indicates landscapes of national importance and therefore where there are in particular wider public benefits from managing visitor impacts sustainably and effectively. In addition, some regions have identified fragile environments as being especially vulnerable to visitor impacts.

570. Encouragement of rural tourism activities is also important for rural employment. Rural tourism can also benefit from close links with agriculture, through its role in landscape management, diversifying into provision of tourism services and through linkages with regional and local food, which form part of the offer to tourists. Encouraging collaboration between food and tourism businesses would increase local rural economic benefits, such as employment, from tourism. Regions have also identified specific rural tourism business needs, such as increased use of ICT.

571. Through measures available as an integrated element of Environmental Stewardship, the promotion of public access to, and understanding of, the countryside will be supported. The scheme will also contain measures that encourage visits to farms for educational purposes, so that the public get a greater understanding of the countryside and rural areas.

Objectives of the Measure

572. To use the natural and cultural resources in England's rural areas to attract visitors and create new employment opportunities through the development of the tourism sector of the rural economy. To make rural tourism businesses more sustainable through collaboration, resource efficiency (including the management of visitor impacts) and effective use of ICT.

Scope and Actions

Eligible Beneficiaries

573. This measure will provide support to existing tourism enterprises located in, and tourism related organisations operating in, rural areas, and to persons wishing to set up new rural tourism enterprises.

574. Farmers participating in the Higher Level of Environmental Stewardship may receive support to promote public access and understanding of the countryside. This support is a non-agricultural de minimis state aid in accordance with Regulation 1998/2006.

Eligible Activities

575. Support under this measure will be targeted primarily towards the development and marketing of tourism services relating to rural tourism, for example:

- small-scale infrastructure such as information centres and the signposting and interpretation of tourist sites;
- recreational infrastructure such as that offering access to natural areas and the historic environment;
- small-capacity accommodation provision and upgrading of existing provision when justified by significant wider benefits;
- the development and/or marketing of rural tourism services;
- assisting tourism providers to develop clusters and business initiatives to meet visitor needs and market their products and services;
- networking and collaboration within the tourism industry including benchmarking;
- supporting the development of new niche markets e.g. 'green tourism';
- promotion of tourism activities linked to quality regional and local food culture and rural crafts;
- improved information and booking arrangements, including e-tourism and other use of ICT.

576. The support provided to farmers in the Higher Level of Environmental Stewardship to promote public access and understanding of the countryside, which is funded as a non-agricultural de minimis state aid, helps farmers to improve countryside access for walkers, cyclists, horse riders and people less mobile, to create new access routes to currently inaccessible features of interest; and to encourage visits to farms for educational purposes.

577. Annex 2 to Chapter 5, Appendix II provides the details of specific options available to achieve these objectives. Examples include creating new linear access and running educational visits to the farm under agreement.

Eligible Costs

578. Support will be provided through:

- grant aid towards the costs of small-scale capital investments;
- feasibility studies and start-up revenue costs;
- cost of establishing collaborative initiatives;
- marketing support and market development activities, directly linked to an investment under this measure;
- technical support to help new businesses become established and to help existing businesses to improve the quality of their services, consolidate and expand.
- support for non productive investments for public access under Environmental Stewardship to assist in providing educational and recreational benefits for the public to give them a greater understanding of the countryside. (This support is provided as a non-agricultural de minimis state aid)

5.3.4.2 Aid intensity

579. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

5.3.4.3 State Aids

580. The requirements of the General Block Exemption Regulation (EC) 800/2008 or the framework for de minimis aid under Commission Regulation 1998/2006 will apply.

5.3.4.4 Quantified targets for EU Common Indicators

Table 5-33

Type of indicator	Indicator	Target
Output	Number of new tourism actions supported	2,000
	Total volume of investment (€m)	€145m
Result	Additional number of tourist visits	
	<ul style="list-style-type: none"> • Number of overnight stays • Number of day visitors 	1,100,000 1,650,000
	Gross number of jobs created	25,000 FTE jobs (combined target for measures 311, 312 and 313)
Impact	Economic growth	Businesses supported under the Rural Development Programme for England show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation	No specific target set

5.3.4.5 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

Overview of measures targeting the Quality of Life in Rural Areas

581. The quality of life in rural areas in England is high, both in material terms and in the context of social capital. 89% of people living in rural areas want to continue to do so. The attractive rural environment, including the historic built environment, is an important contributing factor to quality of life, and a key element of what attracts people to rural areas and makes them want to stay. The standard of access to basic services and infrastructure, which has a significant impact on quality of life, is generally extensive and accessible.

582. Of course, this does not mean that quality of life is high for all rural residents. The key feature of needs in rural areas is that they are dispersed rather than concentrated. This may present practical challenges in relation to targeting and access. However, the best way to address dispersed rural disadvantage is not through stand-alone 'rural' projects and programmes but through mainstream policy and delivery which are the responsibility of specific Government Departments (including health, education, transport and basic utilities). Defra has a significant role to play in influencing these other Departments, to ensure that mainstream policy and delivery meets rural needs. Increasingly, the national policy framework is designed to give local areas the flexibility to respond to local circumstances and needs. The nature and extent of the challenges vary considerably from one location to another, so a flexible approach driven by the local area delivers the most effective solutions. Given the community focus of the activity targeted under measures 321, 322 and 323, much activity that will fall within the scope of these measures may be delivered by Local Action Groups as part of their Local Development Strategy under Axis 4, as they identify their own particular local needs and select the most effective way to address them.

5.3.5 Basic Services for the economy and rural population

Article	Articles 52(b)(i) and 56 of Regulation (EC) No 1698/2005
Measure Code	321

5.3.5.1 Rationale for intervention

583. As explained elsewhere in this document, in England basic services are generally of a high standard. They are the responsibility of various government departments, and Defra has an important role to play in ensuring policies and developments take account of circumstances and issues particular to rural areas.

584. However, there are issues that adversely affect the rural population's ability to access services. Provision of local services such as small-scale transport arrangements, local shops and community facilities would help to this end. Often, this targeting can be most effectively done by local people with a detailed understanding of their needs.

585. Whilst the Programme has recognised previously that the coverage of broadband is relatively high in rural areas, technical limitations still mean that some rural areas still do not have access to broadband in the UK. Those rural areas that do have access, often have limitations in terms of speed and quality, furthermore, costs are often higher compared to urban areas. In addition, new Internet based services and demands are developing rapidly, leading to increased strain on existing broadband infrastructure in rural areas. As a result of this escalating the risk of a growing "digital divide" in rural areas, rural broadband has been identified as an enhanced priority within the Rural Development Programme for England; in recognition of its strategic importance in supporting rural businesses and communities to realise opportunities for employment and social inclusion.

5.3.5.2 Objectives of the Measure

586. To improve or maintain the living conditions and welfare of those living in rural areas and to increase the attractiveness of such areas through the provision of more and better basic services for the economy and the rural population.

5.3.5.3 Scope and actions

Eligible Beneficiaries

587. Businesses, social enterprises, charities, and other formally constituted groups.

Eligible Activities

588. This measure will support the setting up of basic services in rural areas, to meet the needs of the local population. The aim will be to implement multifunctional projects that deliver multiple outcomes wherever possible. The needs of rural communities are often most effectively identified by the communities themselves, and we expect this measure to be used in England, for the most part, through the bottom-up Leader approach to delivery. It is therefore not possible to give a definitive list of activities. However, financial support may be provided for, amongst others:

- cultural and leisure activities e.g. places for the production and display of local art and culture, including for community festivals and events, recreational facilities, for instance development of local sports grounds and community parks/gardens etc
- development of community buildings to provide services;
- developing community enterprises to provide key services e.g. childcare/eldercare;
- energy services – e.g. woodfuel based heat/and or power system for village /community buildings and community renewable energy projects.
- shop/retail services;
- support of ICT for community benefit;

- support for internet broadband infrastructure including;
 - infrastructure investments that deliver the most appropriate technological solution to provide the quality and type of service required in the relevant area;
 - community based solutions working where possible local community broadband networks;
 - development of rural ICT hubs providing access to broadband in public places;

589. Activity that is a statutory responsibility of local or national government is excluded.

Eligible Costs

590. Support will be provided through:

- grant aid towards the costs of small-scale capital costs;
- community capacity building activity and facilitation/technical support;
- costs associated with the establishment (but not the ongoing maintenance) of the new basic service.

591. For internet broadband infrastructure support may be available for:

- upgrade of existing copper cabling between the local exchange and rural communities;
- providing alternative or innovative arrangements for delivering improvement in broadband coverage or bandwidth using the most appropriate technological solutions;
- to provide community based solutions working where possible local community broadband networks;
- development of rural ICT hubs providing access in public places;

5.3.5.4 Aid intensity

592. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

5.3.5.5 State Aids

593. The framework for de minimis aid under Commission Regulation 1998/2006 will apply. No additional national aid will be used to support interventions under this measure.

5.3.5.6 Quantified targets for EU Common Indicators

Table 5-34

Type of indicator	Indicator	Target
Output	Number of supported actions	730
	Total volume of investments (€m)	€90m
Result	Population in rural areas benefiting from improved services	200,000 (combined target for measures 321,322 and 323)
	Increase in internet penetration in rural areas	No target set, as in England broadband is already effectively at 100%

Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation	No specific target set

5.3.5.7 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

5.3.6 Village renewal and development

Article	Article 52(b)(ii) of Regulation (EC) No 1698/2005
Measure Code	322

5.3.6.1 Rationale for intervention

594. Quality of life in rural areas will benefit from high quality local amenities such as community buildings and public spaces and from strong social capital to sustain local capacity for development. The needs of rural communities are often most effectively identified by the communities themselves. There are opportunities to build on and sustain existing community ties, capitalising on the strong traditions of civic engagement in rural areas, to close local access gaps through the co-production and community ownership of services and facilities. In this context, there are potential roles for the third sector and parish councils to build community cohesion and develop the capacity of rural communities to meet their own needs where possible.

5.3.6.2 Objectives of the Measure

595. To support integrated village initiatives which promote cross-community development and regeneration.

5.3.6.3 Scope and actions

596. This measure will support animation and capacity building within and between villages and their surrounding rural areas, the improvement of the village environment and the provision of community areas.

Eligible Beneficiaries

597. Businesses, social enterprises, charities, and other formally constituted groups.

Eligible Activities

598. This measure will support village renewal and development. The needs of villagers are often most effectively identified by the communities themselves, and we expect this measure to be used in England, for the most part, through the bottom-up Leader approach to delivery. It is therefore not possible to give a definitive list of activities. However, financial support may be provided to:

- support small-scale infrastructure projects to develop or enhance:
 - village approaches
 - main streets
 - community buildings
 - amenity spaces
 - workspaces
- where possible, some aspects of the measure will be linked with environmental land management support under Axis 2;
- the encouragement of collaborative, networking social enterprises;
- improving the functionality of community facilities.

599. Activity that is a statutory duty of local or national government is excluded.

Eligible Costs

600. Support will be provided through:

- grant aid towards the costs of small-scale capital and resource investment;
- marketing support;

5.3.6.4 Aid intensity

601. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

5.3.6.5 State Aids

602. The framework for de minimis aid under Commission Regulation 1998/2006 will apply. No additional national aid will be used to support interventions under this measure.

5.3.6.6 Quantified targets for EU Common Indicators

Table 5-35

Type of indicator	Indicator	Target
Output	Number of villages where action took place	120
	Total volume of investments (€m)	€15.9m
Result	Population in rural areas benefiting from improved services	200,000 (combined target for measures 321,322 and 323)
	Increase in internet penetration in rural areas	No target (England effectively has 100% broadband coverage already)
Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation	No specific target set

5.3.6.7 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

5.3.7 Conservation and upgrading of the rural heritage

Article	Articles 52(b)(iii) and 57 of Regulation (EC) No 1698/2005
Measure Code	323

5.3.7.1 Rationale for Intervention

603. England has a rich archaeological and built heritage that includes archaeological sites, monuments and listed buildings.

604. Sustainable development within England requires the protection, management and conservation of these historic resources. The natural and built environment can be used as a basis for economic growth in rural areas, particularly in relation to recreation and tourism. Such development brings benefits to the rural economy and communities but it also means that the use and management of such resources must be soundly based on the principles of conserving and upgrading the rural heritage.

605. One of the objectives of Environmental Stewardship is to maintain and enhance landscape quality and character. To further enhance the landscape benefits delivered, the Higher Level of Environmental Stewardship helps to maintain the overall coherence and character of the farmed landscape by supporting the renovation and maintenance of historic farm buildings. Many of the buildings concerned are in isolated locations, or are too small to have little economic value. However, they are an integral part of the landscape and cultural heritage of farmed land, and thus of the wider rural landscape and rural cultural heritage. Preserving and maintaining such buildings helps to maintain the attractiveness of the rural area as a place to visit and live. The renovation and maintenance of historic farm buildings also supports the aims of Environmental Stewardship, for example, many buildings provide a habitat for birds and bats.

606. Independent studies demonstrate that renovation using traditional materials and skills provides a defined value to the local economy by supporting small businesses in the building and supply trades. The public consultation on this part of the Programme has identified strong support for continuation of funding for this purpose because of the multiple benefits accrued by the measures. The Environmental Stewardship options concerned are not available for buildings for human habitation or those buildings which could be adapted for this purpose.

5.3.7.2 Objectives of the Measure

607. To conserve and enhance the rural heritage, including the traditional farmed landscape, as the basis for sustainable economic growth in rural areas.

5.3.7.3 Scope and actions

Eligible Beneficiaries

608. Businesses, social enterprises, charities, and other formally constituted groups.

609. The eligible beneficiaries for Environmental Stewardship are identified in measure 214.

Eligible Activities

610. As this measure may address needs identified both strategically, and by the rural population through the Leader “bottom-up” approach, it is not possible to give a definitive list of activities. However, support under this measure could cover the following activities:

- environmental awareness actions and investments associated with the maintenance restoration and upgrading of the natural heritage;
- undertake small-scale infrastructural improvements;

- studies and investments associated with maintenance, restoration and upgrading of the cultural heritage, such as the cultural features of cultural and environmental heritage.

611. Support will also be available for the farm building maintenance and restoration options offered under the Higher Level of Environmental Stewardship.

Eligible Costs

612. Support will be provided through:

- grant aid towards the costs of capital investments;
- interpretation and materials;
- research studies;
- audits.

5.3.7.4 State Aids

5.3.7.5 Aid intensity

613. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

5.3.7.6 State Aids

614. The requirements of the General Block Exemption Regulation (EC) 800/2008 will be applied.

5.3.7.7 Quantified targets for EU Common Indicators

Table 5-35

Type of indicator	Indicator	Target
Output	Number of rural heritage actions supported	170
	Total volume of investments (€m)	€56m
Result	Population in rural areas benefiting from improved services	200,000 (combined target for measures 321,322 and 323)
Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Employment creation	No specific target set

5.3.7.8 Additional Programme-Specific Indicators and Quantified Targets

Type of indicator	Indicator	Target
Additional result	Number of jobs created or sustained through activities supported under axis 3	Actual jobs created or sustained by supported businesses are at least 85% of the number of jobs predicted at the time of application.

5.3.8 Training and information for economic actors operating in the fields covered by Axis 3

Article	Articles 52(c) and 58 of Regulation (EC) No 1698/2005
Measure Code	331

5.3.8.1 Rationale for Intervention

615. Whilst skills need in rural areas is similar to that of the national economy, the delivery of education and training in rural areas can present challenges. By encouraging more highly skilled, possibly high technology based, employment into rural areas, there will be an equal need to make appropriate training opportunities available to provide the skilled, flexible workforce these businesses would demand.

616. Small businesses, which are a significant part of the rural business stock, could face problems releasing employees for training purposes in terms of time and funding. Rural businesses are also less likely to have training plans, dedicated training budgets and training management compared to their urban counterparts. .

617. Planning and undertaking such activity in small rural businesses would help to overcome these barriers.

5.3.8.2 Objectives of the Measure

618. The objective of this measure is to enhance human potential required for the enhancement of the rural economy. It will support the achievement of the outcomes listed for the measures under this Axis (diversification into non-agricultural activities, developing micro-enterprises, encouraging tourism etc) by developing the skills of the economic actors in the rural area.

5.3.8.3 Scope and actions

Eligible Beneficiaries

619. Eligible beneficiaries under this measure are:

- economic actors envisaged as beneficiaries;
- businesses, social enterprises, charities, and other formally constituted groups.

Eligible Activities

620. Eligible activities under this measure are:

- provision of training and information, including business skills and technical skills, in support of rural micro-enterprises, non-agricultural farm diversification businesses and rural tourism businesses;
- support shall not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher level.

621. The type of training to be supported through the Programme will therefore vary according to need, but will only be provided where a gap in provision exists. In broad terms, however, the following activities will receive support under the programme:

- training in ICT skills
- training, coaching and mentoring in business skills
- training in traditional rural skills
- training related to diversification away from agriculture.

Eligible Costs

622. The following costs will be eligible for support (in accordance with the training block exemption):

- trainers/facilitators/mentors;
- training needs assessments;
- training venues and refreshments;
- course materials and examination fees;
- course evaluation costs;
- project management costs for training organisers;
- small scale infrastructure/capital costs.

5.3.8.4 State Aids

623. The framework for state aids under Commission Regulation 68/2001 will apply to this measure, subject to limits imposed by the state aid training block exemption rules. No additional national aid will be used to support interventions under this measure. The aid intensity rate will normally be up to 70%.

5.3.8.5 Quantified targets for EU Common Indicators

Table -5-36

Type of indicator	Indicator	Target
Output	Number of participating economic actors to supported activities	27,000
	Number of days of training received by participants	46,000
Result	Number of participants that successfully ended a training activity	85% of participants successfully complete the training or information activity; of which: 80% of participants have applied or expect to apply the acquired skills in practice
Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Labour productivity	Businesses supported under the Rural Development Programme for England show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.

5.3.8.6 Additional Programme-Specific Indicators and Quantified Targets

624. No additional indicators are currently proposed for this measure.

5.3.9 Skills acquisition and animation with a view to preparing and implementing a local development strategy

Article	Article 52(d)59 of Regulation (EC) No 1698/2005
Measure Code	341

5.3.9.1 Rationale for Intervention

625. Experience of previous community-led initiatives suggests that most local groups consider the main part and value of their work comes from animation activities. This would have a direct read across to the formation of local strategic cooperation-type groups brought together outside the formal Leader constituted Local Action Groups (LAGs). Successful operation of LAGs could encourage the formation of similar partnerships outside Axis 4 supported groups.

5.3.9.2 Objectives of the Measure

626. The objective of this measure is to increase capacity for the implementation of local strategies (other than those developed through the Leader approach).

5.3.9.3 Scope and actions

627. Owing to the bottom up nature of the initiation and development of local development strategies it is not possible to confirm the precise type of partnerships (partners represented, percentage of private partners represented, decision making powers) or give an estimate of the number of the public-private partnerships and area and population covered.

Eligible Beneficiaries

628. Eligible beneficiaries under this measure are:

- public-private partnerships - provided that they establish area-based local development strategies at sub-regional level and are representative of the public and private actors identified at the area level, and are not supported under Axis 4.

Eligible Activities

629. The support provided could cover:

- studies of the area concerned;
- measures to provide information about the area and the local development strategy;
- the training of staff involved in the preparation and implementation of a local development strategy;
- promotional events and the training of leaders;
- implementation of a local development strategy, except Local Development Strategies being implemented by a Local Action Group established under Axis 4.

Eligible Costs

630. The following costs are eligible under this measure:

- partnership running costs subject to a ceiling of 15% of the public expenditure of the local development strategy;
- research and development associated with the preparation of the local development strategy.

5.3.9.4 Aid intensity

631. The rates of aid intensity under this measure will be up to 100%, depending on the extent of commercial return and limits imposed by the de minimis rules.

5.3.9.5 State Aids

632. The framework for de minimis aid under Commission Regulation 1998/2006 will apply. No additional national aid will be used to support interventions under this measure.

5.3.9.6 Quantified targets for EU Common Indicators

Table 5-37

Type of indicator	Indicator	Target
Output	Number of skills acquisition and animation actions	55
	Number of participants in actions	8,250
	Number of public-private partnerships	53
Result	Number of participants that successfully ended a training activity	85% of participants successfully complete the training or information activity; of which: 80% of participants have applied or expect to apply the acquired skills in practice
Impact	Economic growth	Businesses supported under the RDPE show a rate of growth in profitability, net of other factors, that is greater than the average for other similar businesses in England.
	Labour productivity	Businesses supported under the Rural Development Programme for England show a rate of GVA/FTE, net of other factors that is greater than the average for other similar businesses in England.

5.3.9.7 Additional Programme-Specific Indicators and Quantified Targets

633. No additional indicators are currently proposed for this measure.

5.4 AXIS 4: Implementation of the Leader approach

Article	Articles 61-65 of Regulation (EC) No 1698/2005
Measure Code	41, 421, 431.

634. Article 63 of the Regulation enables support to be provided for:

- implementing local development strategies with a view to achieving the objectives of one or more of Axes 1 to 3;
- implementing cooperation projects involving the objectives selected from Axes 1 to 3;
- running Local Action Groups (LAGs), acquiring skills and animating the territory.

635. These three pillars of support are considered in more detail in the paragraphs below.

636. The objective of Axis 4 is to implement the Leader approach in the mainstream rural development programme and thereby to contribute to the objectives of the other three axes.

5.4.1 Implementation of the local development strategies

Article	Articles 63(a) and 64 of Regulation (EC) No 1698/2005
Measure Code	41

5.4.1.1 Rationale for intervention

637. The evidence provided in Chapter 3 shows the successes of the current LEADER+ programme in terms of tailoring interventions to local circumstances and, by delivering through a broad partnership, taking a more co-ordinated approach to tackling issues. It is intended to harness this in the Programme by targeting the approach at locally identified need and opportunity to allow the approach to complement other, more top down interventions.

638. Establishment of LAGs can add value in three key areas:

Endogenous local development – allowing communities themselves to identify their problems and address them in sustainable ways. This is valuable in mobilising local resources in support of programme objectives and encouraging a greater sense of ownership and commitment to projects;

Governance – greater integration can be achieved through partnership working between social, economic and environmental interests;

Innovation (in approaches to delivery and projects) – finding new solutions to long-standing problems including the transfer and adaptation of innovations developed elsewhere. This will be an important contribution to the Programme's focus on investing in transferable outputs rather than long-term structures, and can be developed further through close working of LAGs within the National Rural Network.

5.4.1.2 Objectives of the Measure

639. This measure will be used to add value to delivery of the Programme's objectives through mobilising local resources to co-ordinate the implementation of actions in a locally relevant way.

640. Key features of the Leader approach include:

- area-based local development strategies;
- bottom-up development and implementation of strategies;
- local public-private partnerships;
- integrated and multi-sectoral actions;
- innovation;
- co-operation;
- networking.

641. The scope and actions will be wide ranging and geared towards the broader rural economy. Local actions will need to focus on fulfilling the objectives of the national programme and regional implementation plans in a locally tailored way.

642. There is also a desire to see LAGs develop their capacity so that they can deliver other programmes and projects within their area, which fall outside the Rural Development Programme.

5.4.1.3 Procedure and timetable for selecting the local action groups, including objective selection criteria

643. To ensure consistency across the Programme and, in particular, equal treatment of LAGs, there will be a single national framework involving a set of criteria to which regard will be had in each region. These criteria will be: appropriateness of the partnership;

coherence of the area; quality of the local development strategy; financial and administrative capacity; fit with Programme objectives (including innovation); integration of sustainable development principles; commitment to integration; commitment to cooperation. However, reflecting the flexibility we intend for devolved decision-making, there will be a degree of regional flexibility in the selection process achieved by the addition of “regional fit” as a criterion to which regard will be had. This will cover the local development strategy’s fit with regional priorities.

644. Initial calls for proposals for LAGs will take place within two years of Programme approval. Some regions are likely to have more than one call for proposals, particularly given that many of the LAGs are likely to be new.

645. It is envisaged at present that there will be around 50 LAGs in England, representing a significant increase from the current 25 under the LEADER+ Programme. This is likely to result in perhaps up to 50% of the rural territory being covered by Local Development Strategies. This will create a wide network of LAGs able to exchange ideas, good practice and cross-border joint working. It will also facilitate networking between local partnerships and encourage participation in co-operation projects.

646. Selection panels will ensure that prospective LAGs meet the requirements of Article 62(1)(b) of Regulation (EC) 1698/2005 i.e. that at the decision-making level, the economic and social partners as well as representatives of civil society comprise at least 50% of the local partnership.

5.4.1.4 Justification for selection of areas whose population falls outside the limits set out (5,000 to 150,000)

647. Until there are calls for proposals, there is some uncertainty as to how many areas might fall outside the limits. However, it is expected that all but a very few LAG areas will fall within the limits. The principal reason for an exemption to these limits is likely to be where the exclusion of a given settlement, such as a market town⁴⁶, would have an impact on the coherence of the area, or, at the other extreme, where there is a very clear case on the basis of an area’s coherence being compromised. An upper population exemption limit of 165,000 will apply. At the lower end of the population range, the Isles of Scilly, a group of Islands some 38km from the Cornish mainland with their own particular set of issues resulting from this geography, may come forward with proposals.

5.4.1.5 Procedure for the selection of operations by the local action groups

648. It will not be possible to set out the precise procedures until LAGs have submitted their proposals. The procedures by which Local Action Groups (LAGs) will select operations will not become clear until they submit their Local Development Strategies for consideration. The Managing Authority will ensure that processes are in place to ensure that all operations financed by LAGs will meet the minimum general eligibility criteria set out in the EC Regulations, including compliance with the EU public procurement legislation, and those on which Programme Monitoring Committee has been consulted.

Description of the financial circuits applicable for local action groups

649. The Managing Authority will ensure that LAGs either select an administrative and financial actor able to administer public funds and ensure the satisfactory operation of the partnership, or come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the partnership and the ability to administer public funds. All activities will be compliant with the financial and controls provisions applicable to Regulation 1698/2005.

⁴⁶ In the case of market towns an upper population limit of 30,000 will apply.

5.4.1.6 Implementing cooperation projects

Article	Articles 63(b) and 65 of Regulation (EC) No 1698/2005
Measure Code	421

5.4.1.7 Objectives

650. The principal objective of co-operation is to widen local views in order to improve local strategies. The main expected result will be mutual learning.

5.4.1.8 Rationale

651. Working on co-operation actions has been a way to get access to information and new ideas, to learn from other regions or countries, to stimulate and support innovation and to acquire skills and means to improve delivery. However, implementing this measure is notoriously difficult and steps will need to be taken to: a) promote the benefits of co-operation to LAGs; b) simplify procedures and keep them flexible to facilitate this aspect of the programme; and, c) ensure that the tools are in place to assist LAGs in their preparations. The National Rural Network will have a role to play in this through the organisation of co-operation seminars; establishing systems to gather examples of good practices; providing a partner search tool; and by providing technical assistance to LAGs.

5.4.1.9 Scope

652. The scope of the co-operation measure will be broad to allow LAGs to work with other areas on projects that they demonstrate to add value to the programme. In general, the specific themes that LAGs intend to co-operate on will be incorporated into their local development strategy. The co-operation measure will be used to encourage and support a LAG to undertake a joint action with another Leader group, or with a group taking a similar approach, in another region, Member State, or even a third country.

5.4.1.10 Procedure, timetable and objective criteria for selection of projects

653. Until Local Development Strategies (LDS) have been selected, no timetable can be set as it is not clear whether all will have incorporated this aspect into their local development strategy or not. In most cases, it is expected that co-operation will be an integral part of the local development strategies and will follow normal LAG selection procedures.

654. Co-operation shall involve at least one Axis 4 LAG with the project implemented under the responsibility of a co-ordinator LAG. Co-operation will be open to public-private partnerships and to other rural areas organised with the following features:

- presence of a local group in a geographical territory, which is active in rural development, with the capacity to elaborate a development strategy for that territory;
- the organisation of that local group is based on a partnership of local actors.

655. It will include the implementation of a joint action and only expenditure for the joint action, for running any common structures and for preparatory technical support shall be eligible for support. Expenditure on animation may be eligible in all the areas concerned by the co-operation.

656. As previously noted, it is expected that in most cases co-operation will be integrated into local development strategies. However, where co-operation activities arise later in the Programme and which were not included in a local development strategy, proposals will need to be considered by the relevant Regional Development Agency.

5.4.2 Running costs, acquisition of skills and animation

Article	Article 63(c) of Regulation (EC) No 1698/2005
Measure Code	431

5.4.2.1 Objectives

657. The objective of this measure will be to ensure the effective design and implementation of LAG local development strategies.

5.4.2.2 Rationale

658. Implementing the Leader axis in the Programme is likely to result in a significant increase in numbers of LAGs as compared to the LEADER+ Programme. It is expected that new LAGs will have most need of support to carry out studies of the area concerned; provide information about the area and the local development strategy; train staff involved in the preparation and implementation of a local development strategy; hold promotional events and train leaders, especially in the early stages. It is not anticipated that the National Rural Network will be in place in the early stages of LAG development and use of this measure to facilitate the acquisition of skills animate the territory will therefore be needed. Such support will come from this measure for Leader groups as opposed to the Axis 3 skills acquisition measure (measure code 341) which will be used for other non-Leader public-private partnerships delivering local development strategies under Axis 3.

659. There will be a need to train staff involved in the preparation and implementation of a local development strategy, and for promotional events and the training of leaders. Initial identification of training needs will be through expressions of interest and/or the submission of the local development strategy. However, ongoing training will also be required during implementation, covering for example LAG management, self-evaluation, and monitoring. There will also be a need for animation, especially in new areas or where partnerships are expanding to include new members. It will be necessary to focus this capacity building on areas highlighted in the mainstreaming report, particularly around the ability of LAGs to think strategically. Over the course of the programming period, a range of training will be required and will be delivered in a number of ways. Where specific training is required, this will be financed under this measure. Generic training on the Leader principles and administrative and financial requirements is likely to be carried out at a national level. When the National Rural Network is up and running more tailored support for LAGs will be introduced.

5.4.2.3 Scope

660. The limit on the share of the LAG budget for running the LAGs will be 20% of total public expenditure on the local development strategy.

661. Under the LEADER+ Programme, around 2% of local development strategy budgets have been spent on acquisition of skills and animation. We envisage a similar amount being spent under RDPE. However, the level of animation and skills development required will differ between LAGs depending on the needs identified as part of the development of local strategies.

Eligible Beneficiaries

- public-private partnerships that meet the requirements of Article 61 of the Rural Development Regulation

5.4.3.5 Eligible Activities

662. The support provided could cover:

- studies of the Leader area concerned;
- measures to provide information about the area and the LAG's local development strategy;
- the training of staff involved in the preparation and implementation of a LAG's LDS;
- promotional events and the training of leaders involved with the LAG's LDS;
- implementation of a LAG's LDS.

OUTPUT INDICATORS FOR AXIS 4

Code	Measure	Output indicators	Targets 2007 to 2013
411	Implementing local development strategies	Number of LAGs	64
412		Total size of LAGs (km ²)	200,000
413		Total population in LAG area	7,100,000
		Number of projects financed by LAGs	1,000
		Number of beneficiaries	1,000,000
421	Implementing cooperation projects	Number of cooperation projects supported	20
		Number of cooperating LAGS	50
431	Running the local action group, acquiring skills and animating the territory as referred to in article 59	Number of actions supported	64

Table 5.3.6 of the RDPE – list of types of operations used to implement the new challenges in England

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of holdings that received investment support	Total volume of investment ('000 EUR)
121	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	E	Section 5.1.5	15	1,108 (EAFRD Recovery Package) + 466.2 (private) =1,574.2
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of enterprises supported	Total volume of investment ('000 EUR)
123	Improvements in processing and marketing related to dairy	Improvement of the competitiveness of the dairy sector	E	Section 5.5.7	12	1,108 (EAFRD Recovery Package) + 466.2 (private) =1,574.2
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of enterprises support 24	
124	Innovation related to the dairy sector	Improvement of the competitiveness of the dairy sector	E	Section 5.1.8	Total volume of investment ('000 EUR) 1,108 (EAFRD Recovery Package) + 466.2 (private) =1,574.2	

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target			
					Number of holdings supported	Total area supported (Ha)	Physical area supported (Ha)	Number of contracts
214	Extensive forms of livestock management	Reduction of methane and nitrous oxide	E	Section 5.2.2.1	19,000	Not available	114,000	19,000
	Integrated and organic production	Conservation of species-rich vegetation types, protection and maintenance of grasslands	E	Section 5.2.2.1	2,000	Not available	52,000	2,000
	Construction/management of biotopes/habitats within and outside Natura 2000 sites	Protection of birds and other wildlife and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	E	Section 5.2.2.1	1,350	Not available	13,500	1,350

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of holdings supported	Total volume of investment ('000 EUR)
216	Wetland restoration	Conservation of high-value water bodies, protection and improvement of water quality	E	Section 5.2.3.1	300	1,000
	Construction/management of biotopes/habitats within and outside Natura 2000 sites	Protection of birds and other wildlife and improvement of biotope network, reducing entry of harmful substances in bordering habitats, conservation of protected fauna and flora	E	Section 5.2.3.1	1,800	11,000
Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of actions supported	Total volume of investment ('000 EUR)
321	Creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies)	n.a.	N	Section 5.3.6	8	3, 324 (EAFRD Recovery Package) + 1,109 (public) + 2,955 (private) =7,388 (total)