

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE
SCOTTISH GOVERNMENT'S DRAFT BUDGET 2011-12

SUPPLEMENTARY EVIDENCE FROM THE SCOTTISH GOVERNMENT

I refer to our recent meeting with Jan Polley, the Committee's budget adviser, on 19 November 2010. At that meeting she requested some additional information to aid the Committee in their scrutiny of the draft budget for 2011-12. I have provided this information below.

The proportion of SRDP spend that was voluntary/compulsory modulation/EU money.

The total EU funding for the SRDP programme is €679m, and with the adjustments made following the Health Check, the split is now:

Voluntary Modulation:	€236m
Compulsory Modulation:	€261m
EAFRD:	€182m

There will be less EU funding drawn down in 2011-12 than originally planned as a result of the reduction in domestic spend. Due to the 6 month lead time to change the co-financing rate there is not time to increase the rate for the 2011 claim year, but we will consider increasing the co-financing rate in future years to ensure all EU funds are drawn down by the end of the Programme period. Progress with the draw down of EU funding is reported to the Programme Monitoring Committee (PMC) – on which a wide range of stakeholders are represented - several times a year. The PMC will be consulted on any proposals to change the co-financing rate.

Is it correct that:-

- a) funds under Axes 1 and 3 have a maximum co-financing rate of 50% and the SRDP was recently raised to that level;***
- b) funds under Axes 2 and 4 could be raised to 55% while the current rate in the SRDP is 50%;***
- c) LFASS, agri-environment, forestry and LEADER would be the budget lines that could see their co-financing rates raised by a further 5%.***

This understanding on the limitations for co-financing rates is correct, as long as the factors relating to convergence regions and Voluntary Modulation are also taken into account.

The EC Regulation allows different co-financing rates to be set for convergence regions (the old objective 1 area) and non-convergence regions (the rest of the country). For the convergence region, the Axis 1 & 3 co-financing rate can be up to 75%, and that for Axis 2 & 4 up to 80%. For the purposes of co-financing Voluntary Modulation is treated as a separate region and can have a rate up to 100%.

The proportion of each SRDP line that was the consequence of reduction in legacy payments/budget transfers/reduction in demand to assist with understanding the underlying reductions in SRDP lines.

This refers in particular to the budgets for Rural Enterprise and Rural Communities. The PMC agreed to the bringing forward of £15m into 2010-11 on the basis of 50% to Business Development, 30% (£5m) to Rural Enterprise E and 20% (£3m) to Rural Communities. This extra funding is not available for 2011-12.

We anticipate a reduction of around £8m in legacy payments under Rural Enterprise and are assuming a reduction of at least £3m under Rural Communities due to the support for collaborative projects and community services being moved to LEADER. The money allocated to the SRDP budget lines for 2011-12 has largely already been committed, with current levels of commitment generally more than the amounts in the draft budget. An exception is LEADER, where the amount in the draft budget is not yet all committed, but where given minimum levels of expenditure are required to satisfy conditions for the SRDP. Where we have over-commitments, these are set at manageable levels for each budget line to allow for the expected shortfalls between the level of commitment and actual expenditure.

In general, the draft budgets which have been set mean that there is a roughly equal chance of applications being successful across all budget lines, based on historical rates of applications.

The take up of the new entrant farming measure of the SRDP.

Under the Setting Up Young Farmers – Interest Rate Relief option, 60 applications have been received. Of these, 30 have been approved with finalised contracts (equivalent to £826k grant); 8 have been rejected and 22 are still under consideration or are in the process of finalising contracts.

I hope this information is helpful.

Iain Dewar
DG RAES Strategic Support
24 November 2010