

From: John Kerr, ARE
17th February 2021

Cabinet Secretary for the Rural Economy and Tourism

Advice note on Suckler Beef Climate Scheme proposals

Purpose

1. This note builds on submissions of 25 November, 20 and 27 Jan 2021. It follows detailed discussions between the Suckler Beef Climate Group Programme Board Co-chair **[redacted]** and officials which have provided further helpful clarification of how he thinks the proposed Suckler Beef Climate Scheme (SBCS) should operate and how they might provide a template for the reform of agriculture support more generally.
2. This note provides a description of the proposed scheme as it is currently understood by officials. It is possible that you may already have discussed these matters with **[redacted]** but the extent to which this is the case is not known to us and it is not clear how fully you may have been appraised of the relevant points.
3. There are some issues that you may want to consider ahead of implementation.

Timing

4. Routine, the SBCGPB meets for the fourth time on 22 Feb 2021 where we recommend that these proposals are discussed further with the board.

Sucker Beef Scheme proposals

Goals

5. **[redacted]** has explained to us that the Suckler Beef Climate scheme should be implemented as part of a set of wider changes to agriculture support that will take place in the period starting from 2021 and running until 2026. The essence of his ideas is set out at annex 1. His thinking on the approach to a Suckler Beef Scheme is set out below.
6. **[redacted]** said that the primary objective of the Suckler Beef Climate Scheme is to reduce GHG emissions from the Suckler beef herd in line with the CCPU target to the extent that this is technically possible. He also agreed that the extent to which it is able to do achieve this goal is influenced by the effectiveness of the measures available and the extent to which livestock is enrolled in the scheme.

The Extent and Distribution of Emissions Reductions

7. **[redacted]** has previously said that if all the measures that he proposes are applied to all suckler beef livestock (circa 400k breeding cows) it would be possible

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to reduce the extent of emissions from the suckler beef herd by up to 1.02MgtCO₂e. This is a theoretical maximum rather than a credible or practical estimate in which all farms operate perfectly with the benefit of fully effective methane inhibitors. This figure is cited in the original report.

8. On this basis, the changes that would flow from the adoption of **[redacted]**'s scheme to the suckler beef herd would exceed its proportionate share of necessary reductions in greenhouse gas emissions (which would amount to 0.8MtCO₂e).

9. In discussion, **[redacted]** confirmed that the scheme should be based on voluntary open enrolment of eligible businesses (BRNs) with beef animals. He said that this should include store producers, and breeder finishers who should be paid according to the number of animals enrolled in the scheme. Specialist finishers should not be eligible for a payment in this way because they do not have breeding cows. They should, however, be eligible for capital grant support and will benefit from branding associated with the scheme.

10. **[redacted]** also confirmed in discussion that he envisaged around 200,000 breeding cows would be enrolled in the scheme although he also recognised that this may change depending upon the popularity of the scheme and its attractiveness to farmers vis-à-vis other aspects of developing agriculture support policy.

11. Drawing these points together, a number of factors are relevant to the adoption of any scheme targets.

- The SRUC has advised that the proposed measures cannot be applied with absolute practical effect (irrespective of the number of enrolments into the scheme). It has said that the effect of the measures should be subject to a real world discount of around 50 per cent.
- If all suckler beef cattle were enrolled in the scheme SRUC estimate the likely real world reduction in greenhouse gas emissions would be up to 0.52MtCO₂e.
- Similarly, if 200,000 breeding cows were enrolled in the scheme the likely real world reduction in greenhouse gas emissions would be 0.26MtCO₂e.
- The measures contained in these proposals will help deliver the technically feasible emissions reductions from the sector with the estimates reflecting the limits on the GHG savings that can be made from the proposed technical and efficiency measures as proposed.
- The proportionate share of necessary reductions in greenhouse gas emissions from the Suckler Beef herd amounts to 0.8MtCO₂e and therefore the estimates from these proposals leave a substantial additional burden of the reduction in greenhouse gas emissions ($0.8 - 0.26 = 0.54\text{MtCO}_2\text{e}$) which will need to be achieved by other aspects of agriculture or by applying additional measures to reduce emissions from beef which are not tied by technical constraints. These measures potentially could be resolved through

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policy development in order to ensure the sector can meet its proportionate share of GHG emission reduction.

12. In our discussions with **[redacted]** he said that livestock farmers should be presented with a series of alternative choices. In practice, these might include: enrolling for the proposed beef scheme; enrolling in another scheme such as that may be developed by the Highland, Upland and Crofting Scheme; deciding to enrol in no scheme at all (thereby losing access to some aspects of public support).

13. **[redacted]** also said that in practice he envisaged that the beef scheme would be the sustained choice of those businesses with more than 50 breeding cows. This is because the likely business expense of the necessary measures is likely to make small farm businesses continuing participation unviable. **[redacted]** said that businesses with fewer than 50 cattle should be publicly supported on the basis of their environmental contribution (i.e. conservation grazing, promotion of habitat management etc.) rather than for their work as food producers.

14. On this basis it is clear that the practical extent of emissions reductions that are available from the proposed suckler beef scheme may require disproportionately large compensating reductions in emissions from other aspects of agriculture in due course – in particular highland and upland farming. By the same token, it is unclear how greenhouse gas reductions from the businesses who elect not to join a farmer led scheme will be secured.

Conditionality & Performance Management

15. In our discussion, **[redacted]** set out a series of conditions that would be expected to apply to farms in membership of the suckler beef scheme. He also explained how these conditions might be applied to other aspects of agriculture in due course. The table below sets out his thinking and how it could be applied to the beef sector and other types of farms: more details are at Annex 1.

Feature	Sector
Carbon Audit (annual or biannual)	All
Animal Health and Welfare Plan	Livestock
Soil Analysis	All
Forage Analysis	Livestock
Manure Analysis	Livestock
Nutrient Management Plan	All
Farm Waste Management Plan	All
Breeding and Marketing Plan	Livestock
Biodiversity Enhancements	All
CPD	All
Membership of a farm assurance scheme	All

16. **[redacted]** said that the suckler beef scheme would require farms to formally engage in a programme of improvement in which payment would be made conditional upon a mixture of: establishing a baseline and then their taking certain identified actions; improving upon present performance irrespective of their present

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rank, and meeting certain absolute standards (that themselves may evolve over time in accordance with future policy choices and measurement techniques).

17. Whilst various ideas are set out in the Suckler Beef Climate Report, the details of this approach to conditions and rewards are yet to be developed by the Suckler Beef Implementation Board.

18. In the view of officials, this detailed consideration of the necessary improvement programme is crucial in ensuring that **[redacted]**'s beef scheme is more successful than the previous Beef Efficiency Scheme. This scheme relied similarly on formal enrolment and entry conditions, including a commitment to the provision of data, compulsory carbon auditing, dedicated farm advice and such like in return for an enhanced level of support.

Verification and reward

19. **[redacted]** said that the Implementation Board for Suckler Beef (and other sub-sectors of agriculture in due course) should set out how participating business will receive support and provide verification of change. This work has still to be done by the Suckler Beef Implementation Board. For this reason it is not possible to be specific at this stage about what businesses will be required to do to receive an uplift nor what the reward will be.

20. **[redacted]** indicated that one possible method for applying a financial incentive would be to base an uplift on the available budget divided by the number of cows at the scheme start and multiplied by the number of cows held by the BRN. In subsequent correspondence he also indicated a higher payment could be applied to the first 20 cattle to weight payments towards smaller businesses. In our discussion with him to date we have not established how this approach reflects the costs of measures necessary to sustain membership of the scheme nor his view that in due course smaller herds will leave the scheme. Work is also required on costing the various interventions envisaged by the scheme and establish who pays for each of these (e.g. carbon auditing, soil testing etc.). This raises some issues about the effective targeting of public resources that we have not yet resolved.

Biodiversity

21. The sucker beef proposal work builds on the piloting work being led by NatureScot and provides an opportunity to upscale that work as a successor to greening. **[redacted]** was clear that some form of targeted support would still be required for specific outcomes (e.g. schemes to support corncrake and waders) analogous to parts of the current AECS schemes. He agreed with us that the detail of how this aspect of the scheme will be measured and rewarded needs to be established.

Other considerations

The method of payment

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22. [redacted] has said that his proposals require farmers to be remunerated in accordance with the size of their suckler herd. In the view of officials, this method (based on a payment per breeding cow) is likely to cause difficulties that may be difficult to overcome.

- Voluntary coupled support payment schemes are already above the recognised limits in the EU context (though officials are working on this issue in the revised context of post EU exit).
- It is production subsidy – and may cause difficulty in necessary discussion with other devolved nations and the UKG (see below).
- It provides a potential (substantial) incentive (in certain market conditions) to increase breeding stock numbers among scheme participants which could increase GHG emissions, a concern that SRUC has also voiced. Although [redacted] has taken the view that these conditions are unlikely to arise he has expressed no objection to our introducing formal controls on livestock numbers.

23. All of these factors could leave the proposed policy open to challenge either on competition, subsidy or climate grounds.

The legal basis for payment

24. We are currently working with SGLD colleagues to find a clear and sufficient legal basis for the action proposed for suckler beef but much will depend on the detail of the proposals and as such it may not be available at short notice in time for a Spring start.

25. In terms of a legal route to payment initial advice from SGLD indicates that paying out under Pillar 1 would require a statutory instrument with parliamentary time most likely to be available in the Autumn.

26. There may be a route to payment through Pillar 2 though this would require a programme modification. It may be possible to apply this to the enrolment and data gathering phase of the scheme proposals. This approach would likely still require a notification as set out in paragraph 28 below.

Impact Assessments

27. There are a range of impact assessments that would need to be designed and then conducted to demonstrate that funding would be allocated appropriately. In combination, these and other costs and benefits would form a Business Case for investment in the services required to deliver the scheme.

Trade Considerations

28. Any new scheme for agriculture support has to be notified to the UK Coordinating body before onward notification to the WTO at which point it would have to be clear how the scheme complies with agriculture state aid rules (and possibly the UK Internal Market Act).

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29. The notification process has built in time scales for consideration by the UK Secretary of State and the other devolved administrations (though this is analogous to the EU Commission process that would previously have applied). It will be some time before we can be sure there will be four nation agreement to these measures as much of the detail of is yet to be worked out. It is likely that the notification process from new agriculture support schemes through the UK will take a number of months.

Wider Application

30. The measures sit as part of an approach to agriculture reform in which details of other significant changes and contributions are not as yet developed

Conclusion

31. The package of measures proposed by the Suckler Beef Programme Board identifies a series of credible measures for gleaning the technically possible emissions reductions from the suckler beef sector. Engagement with the farmer led groups is helping to generate momentum towards the future adoption of practical measures that will make agriculture more environmentally sustainable.

32. The measures will not deliver sufficient emissions reductions even within the suckler beef sector. The proposals risk increasing emissions because they are based on subsidising the primary source of emissions with no method of controlling overall output or cattle numbers. The work of the suckler beef group confirms that the overall emissions reductions necessary from agriculture cannot be achieved without a reduction in ruminant livestock at a pace greater than the current trend.

33. The proposal also places significant burdens on the other Farming Led Sector groups who have yet to provide their own recommendations to government.

Recommendation

34. You are invited to:

- a. Confirm that the understanding of [redacted]'s views presented in this note and annex is consistent with your policy intentions.
- b. Note the limit of emissions reductions that is possible from the proposals and therefore additional reductions in greenhouse gas emissions will have to be achieved by other aspects of agriculture or by applying additional measures to reduce emissions from beef as set out at paragraph 11.
- c. Note the uncertainty as regards the businesses who are likely to join the proposed suckler beef scheme, the consequence that other schemes will be expected to capture those not participating and how this proposal will therefore impact on other aspects of agriculture or statutory targets.
- d. Note that there is a risk that the proposed scheme will increase emissions because it offers no mechanism to control livestock numbers.
- e. Note the various other significant considerations associated with implementation set out at paragraphs 22-29 above that needs to be reflected in scheme design.

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- f. Agree that we consult the Suckler Beef Board in advance of the next board meeting on the measures proposed for beef to date and the detail of their application to get their agreement, or otherwise, on the proposed measures highlighted in this submission at the board meeting.
- g. Engage other Farmer Led Group Chairs in the development of the broader model in consideration of their own work for reforming agricultural support and allow them to comment on their implications.
- h. Begin the various impact assessments as soon as practical and commence the development of a Business Case.

John Kerr
Agricultural Policy
17th February 2021

Scotland's Agriculture Policy in the Period to 2026 and Beyond

1. [redacted] has suggested that in the period to 2026 Scotland should develop an approach to the reform of agriculture support that requires farms to enrol in formal programmes of improvement (via a common gateway). Passage through the gateway creates access to specific public funds in return for the provision of (additional) environmental benefits.
2. On this basis, in the period to 2026, the SG should:
 - I. Keep making basic payments to all farmers. These public funds should remain governed by the current rules.
 - II. Use the Bew budget to support environmental improvements identified by farmer led groups (FLG) work in the first instance.
 - III. Shift an increasing proportion of VCS and Greening budgets to FLG scheme participants (and away from non-participants), increasing the premium afforded to environmental goals.
 - IV. Provide capital support **only** to those participating in an FLG scheme and on the basis that individual BRNs should submit a business case.
 - V. Repurpose the LFASS budget through the work of the HUCG towards some form of HNV support scheme.
 - VI. Create a requirement for a similar scheme for “productive” sheep which will require a “share” of the Bew budget.
 - VII. Continue to develop AECs on the basis that it will support the development of the most advanced and complex interventions in support of biodiversity.
3. On this basis, mixed farms will continue to receive their basic area payment (in direct support of food production) and will decide whether to enrol in the various schemes that will be developed.
4. In the period ending 2026 over half the likely available public funds for agriculture will move progressively from a largely “unconditioned” basis to one in which the majority of funds are made conditional on actions to maintain or improve environmental performance.
5. Post 2026 [redacted] has indicated it his view that there would be no place for an area based income support scheme (BPS). He could, however, envisage a system where conditionality requirements formed the basis for some form of BPS type payment.

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From: John Kerr, ARE
27th January 2021

Cabinet Secretary for the Rural Economy and Tourism

Advice note on Suckler Beef Climate Scheme proposals

Purpose

1. My submission of 20 Jan 2021 provided initial high level advice on the initial tranche of received proposals for the Suckler Beef Climate Scheme (SBCS) from the co-chair of the Suckler Beef Climate Group Programme Board (SBCGPB). This note provides further detailed consideration of the proposals following receipt of a fourth paper and builds on discussions held last week with the Cabinet Secretary, officials and members of the SBCGPB. The submission seeks to identify issues that need to be overcome in order to make progress on implementation.

Timing

2. **Urgent**, the SBCGPB meets for the third time on 28 Jan 2021 where these proposals will be discussed further.

Overview

3. The co-chair of the suckler beef climate group programme board, **[redacted]** issued 4 papers to Scottish Government officials last week (the fourth arriving at the weekend). The first was a paper setting out in general terms the early phase of the proposed Suckler Beef Climate Scheme, two papers set out the detail of the intended Phase 1 and 2 of the scheme rollout, with the fourth setting out one option for a possible implementation route (we are still expecting papers setting out Phase 3 and 4 to follow).
4. You, along with officials, met with some of the SBCGPB members on 21 Jan 2021 where some of these issues were explored.

Background

5. The purpose of the Suckler Beef Programme Board is to provide a mechanism for external advice, support and challenge, on the development of a scheme aimed at reducing GHG emissions from beef production. Group members also inform broader development work on the preparation of new forms of support for agriculture more generally.
6. Two meetings have been held – actions agreed by the Board include:
 - Scottish Government leading on Beef scheme/service related design and broader data/other groups and how that might develop into a holistic approach with all the variables.

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- Putting a project implementation team in place to develop the SBCS as the foundation of a holistic scheme/service for agriculture.
 - Undertaking a data mapping exercise and to identify baseline data requirements with a view to develop plan for data standards, controls and ownership.
 - Development of options/recommended approach on supported enrolment and baselining exercise as the entry phase of a scheme/service that is practical, simple, deliverable (for both farmer and admin).
 - Development of thinking on advisory services alongside advisory/support mechanisms for introduction of the scheme.
8. Of particular relevance is the action agreed at the meeting on 21st December, whereby the co-chair was to issue a broad framework for a scheme to Scottish Government before Christmas and so give officials time to consider before the next group meeting on 28th January. Officials had envisaged discussing the framework at that meeting with a view to the group agreeing next steps. As such the expectations of the Board will be for further discussion on these draft proposals prior to them being finalised and a subsequent agreement on next steps.

Due Process

9. In order that officials can progress these proposals towards a legal route to payment it is necessary to establish clear objectives that can inform the required value for money test for the use of public money in both the development effort that will be required and the benefits from support paid out.
10. Initial advice from SGLD indicates that paying out under Pillar 1 would require a statutory instrument with parliamentary time most likely to be available in the Autumn. There may be a route to payment through Pillar 2 though this would require a programme modification.
11. There may be an alternative approach using pre-CAP legislation, however the risks associated with this need to be established before we can give proper advice on such an approach.
12. There are also a range of impact assessments that would need to be designed and then conducted to demonstrate that funding has been allocated appropriately.
13. Finally any new scheme for agriculture support has to be notified to the UK Coordinating body before onward notification to the WTO at which point it would have to be clear how the scheme complies with agriculture state aid rules (and possibly the UK Internal Market Act).

Scheme Proposals

14. The proposal states the SBCS aims to 'reduce net GHG emissions and enhance biodiversity with GHG reductions sought via improving on-farm efficiencies.'

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15. It is necessary to devise and set measurable outcomes which can then be subjected to a value for money test if a defensible support scheme is to be implemented. It will also need to be established how the scheme will monitor the delivery of those outcomes and what mechanisms are in place to control non-compliance.
16. This clarity of objectives will also be necessary at a more granular level in order to inform prospective participants of the expectations on them in joining any new scheme under this policy.

GHG emissions

17. The suckler beef sector through the proposed scheme can realistically deliver emissions reductions of around 0.26 – 0.52 Mt CO₂e (10-20%) of the sector's emissions. The lower and upper figures are without and with methane inhibitors respectively.
18. These savings fall short of the required reduction to meet the CCP target of a 31% reduction in agricultural emissions by 2032. The shortfall is between 0.55 – 0.29 Mt CO₂e. This gap needs to be either found from elsewhere in the agriculture sector or through some other mechanism in the beef sector if we are to meet our climate change targets.
19. Separately, these emissions reductions can only be achieved if efficiencies are delivered without increasing output. One possible outcome of increasing efficiency is that farmers and crofters increase their livestock (e.g. more live calves to maturity) which would lead to the unintended consequence of increasing emissions. The scheme needs to provide a mechanism to control this.
20. In order to be credible as a policy to address climate change the above issues need to be addressed prior to launching the scheme. The data presented here is already in the public domain through the research done in support of the Beef group, indeed the issues are highlighted therein, so it is important to mitigate the risk of a challenge based on the sufficiency of the scheme to deliver on objectives. The Board should discuss how these issues will be addressed.

Biodiversity

21. The proposals set out a pathway to implementation of an outcome based approach to supporting biodiversity improvements for all participants. Initial pump-priming to support the industry's upskilling in environmental monitoring and management will be required to support this. Investment in training and guidance to support the significant change in culture and establish the necessary skills for farmers and crofters as well as advisers and scheme administrators will be necessary. Officials will work with the all farmer-led groups and NatureScot to establish the mechanisms for inclusion of biodiversity support in the scheme and the costs for delivery.

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Consultation

22. While the Suckler Beef Group and programme Board has some leading innovative farmers on it, there has not yet been any consultation with beef farmers, and other stakeholders with an interest e.g. environmental groups. There is likely to be significant stakeholders criticism if we have not undertaken due diligence prior to introduction of new policies in this area.
23. Work programmes around customer engagement have started but will need to be expanded to ensure there is widespread buy-in from the sector and wider bodies, sufficient time is required for this to take place.
24. The scheme at implementation should be consistent with what will flow out of the other farmer led groups in order to present a coherent and holistic policy approach across all of Scottish Agriculture and for rural land use in general. The chairs of all the farmer led work met earlier this week and engagement and flow between the groups is starting to develop well which will help identify the particular requirements and mitigate any risks should any divergence arise.
25. As previously agreed and acknowledged by the other groups, much of what the proposal suggests in the early phases are not specific to suckler beef suggesting that there is a consensus that enhanced conditionality for payments (under Pillar 1), is accepted across Scottish agriculture this presents an opportunity to establish this aspect of the proposals set out by the beef board more widely early in the development process.

Scheme design and implementation

26. The SBCGBP has been clear that the principles around provision, utilisation and sharing of data and data systems will be key to supporting public & private sector decision making which is in line with the SG approach.
27. However officials do not recommend accepting the proposal to use Scot EID as the host for scheme enrolment. This would present a number of issues and barriers to a whole-agriculture approach that can be avoided by creating an in-house solution to enrolment using a broader set of data that RPID holds and operational processes that are already in place. The principle issues of using Scot EID as a enrolment provider which would take time to work through include: Data sharing and Data security, broadening to other sectors especially arable and a tendering exercise to specify and procure this new service.
28. The suggested pace of implementation presents specific risks in particular progressing to commencement of a full scheme in March would risk:
 - Failure of participants to comply with scheme conditions due to inadequate guidance;
 - Withdrawal of initial participants due to disillusionment with and details of amount that will be paid through the scheme (this was the lesson learned with BES);

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- Necessary capability and capacity (including budget) not being in place to maintain momentum throughout.
 - Not having a robust Business Case in place for the investment that will be required for the full extent of the programme.
 - Failure to integrate biodiversity improvements within the scheme due to insufficient time to integrate biodiversity aspects into application/claim processes. This is also true for a broader set of rural land use objectives that are not delivered directly by farmers, not least Forestry and peatland restoration.
 - Scheme/service design failing SG Digital First standards for a new service. These are mandated standards and application is subject to independent “Gate” review;
 - Poor user experience due implementation of improperly designed and untested end-to-end processes;
 - Failure to apply the digital engineering methods and best practice that ensures that a sustainable, reliable and secure service is developed and existing services are not impacted.
 - Failure to design and embed an appropriate Assurance Framework.
 - Sub-optimal processes being put in place that are inefficient and reintroduce audit issues that were prevalent during the development and subsequent to introduction of RP&S.
29. These risks can be mitigated by taking a stepped approach as part of the Transformation Programme that is being established. The first step would be initial, relatively straightforward, enrolment for baseline data gathering. Subsequent steps would deal with the considerably more complex and multi-faceted activities necessary to roll out the further development work, including the proposals for Phases II (and III) of the beef group and outputs from the other sector groups into a holistic scheme development programme that takes account of the transition (customer, operations, technology) from current schemes to the new one. The proposals can then be assessed for delivery. Such an approach would:
- Allow time to do due diligence and the development of a Business Case for funding.
 - Allow data sharing arrangements to be developed to meet current GDPR standards and security standards, as well as ensuring the benefits from such data sharing can be realised for all parties.
 - Allow Scottish Government standards for digital service design to be adhered to.
 - Allow consideration of the whole customer (farmers, crofters and land managers) experience regarding the land they manage and reducing the multichannel situation that exists at the moment with different government bodies.
 - Allow time to consider an Assurance Framework that is proportionate and ensures the protection of public funds
 - Provide a more strategic service solution for the future across all agriculture and rural land use.
 - Allow integration of the recommendations of other farmer led groups without disadvantaging them.

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- Consider common platform for all groups and biodiversity/environment needs.
- Perhaps most critically, ensure that the transition from current support arrangements to the new is planned in a detailed roadmap from the farmers' perspective and from the operational services and IT systems that are built specifically around the CAP 2015 revision and its predecessors.

Financial Considerations

30. The current Stability and Simplicity policy set out SG undertaking to support agriculture in Scotland under the current (largely EU based) CAP structure for the period to 2024-26 at which point new primary Scottish Legislation will set out the new agriculture and rural support mechanisms from then on. For the year 2021/22 the recently approved budget provides for c. £580 million of funds to be spent through existing pillar 1 and pillar 2 schemes. In addition the Agricultural Transformation Fund has been approved with a budget £20 million capital and £20 million financial transactions.
31. There remains a sum of Bew monies available of £51.4 million, this is 25.7 in 2020/21 and 25.7 in 2021/22. The current position for the Bew monies is that these were held in reserve as contingency funding in the event of EU exit related emergency support needs. This is now unlikely to be required.
32. There is however a significant anticipated shortfall from HMT of funding required to support current CAP schemes at their existing levels in the years to 2025. The level of disputed funding is £170 million though not all of this was planned spending. An option ministers have at your disposal is to carry forward the Bew funding to offset the shortfall of HMT funding in future years to 2024/25.
33. Should you choose to use the Bew funding to finance piloting of the farmer led group work there will be an expectation from farmers and crofters that this money would be used equitably across the sector, though HMT have only stipulated that Bew funds be spent on farmers and land managers.
34. There may be an opportunity to recycle unspent Pillar 1 monies of c. £8 million for the purpose of piloting farmer led group proposals. Policy and finance officials are working through this option and can revert with further advice.
35. The Scottish Public Finance Manual requires officials to give assurance on the use of public money, in particular the evidence base on the likely economic, social, and environmental impacts and value for money of the proposed spending, including cost-benefit analyses where appropriate. The ongoing work of the SBCGBP and SG on developing the proposals further will help us in take decisions in this area however the issues highlighted in paragraphs 17 to 20 will need to be resolved in addressing any new climate focused policy.
36. The proposals set out a number of recommendations that will incur costs such as the need to re-design advisory services, conducting various types of analysis and recording the results of these activities, implementing novel approaches to delivery and recording of biodiversity improvements. There is also the "internal" costs associated with running the Transformation Programme and developing

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the IT solutions that will be necessary. These aspects need to be costed to inform the level of budget commitment generated by the proposals. Further work will be required in this area and should continue at pace to help provide the necessary clarity.

Monitoring & reporting and compliance.

37. Proportionate monitoring of compliance and verification of activities will be key to delivery. As mentioned above it is presently not clear in the proposal how the suite of activities will demonstrate cuts in GHG emissions or enhance biodiversity, nor how they will be measured and reported. A robust Monitoring & Evaluation Framework is essential to report effectively e.g. linking national monitoring in the smart inventory for GHG emissions to actions at farm level. Similarly consideration must be given to the compliance and inspections to be applied and levels of funding to be recouped should participants fall short of scheme requirements/outcomes. Similarly, we will need to develop the associated workflows and audit trails that are required to provide robust financial assurance.

Recommendation

38. You are invited to:
- note the issues raised in this submission and in particular that there is significant work required in both policy development and operational terms to work through before a scheme can be operationalised,
 - indicate how you would wish to address the issues of scheme objectives in terms of GHG emissions reductions, including how these should be broached with the board,
 - note the possible funding source (Bew monies) and the implications of committing these to farmer led group pilots and provide officials with an indication of how ministers wish to allocate these funds,
 - discuss the matters raised and options for taking forward this work with officials
39. We recommend that officials continue to work with the suckler beef climate group programme board, using your responses to the points above as a basis to address the points raised in this note including setting out timelines to operational delivery of the recommendations.

John Kerr
Agricultural Policy
27th January 2021

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
Cabinet Secretary for the Environment, Climate Change and Land Reform					X

