

## **RURAL ECONOMY AND CONNECTIVITY COMMITTEE**

### **SCOTTISH GOVERNMENT'S DRAFT BUDGET 2018-19**

#### **SUBMISSION FROM NFU SCOTLAND**

- NFU Scotland (NFUS) welcomes the opportunity to submit evidence to the Rural Economy and Connectivity ahead of the annual statement on the Scottish Budget.
- Scottish farmers and crofters are the bedrock of Scotland's £14.4 billion food and drink industry. With a new target to grow the food and drink industry to £30 billion by 2030, it is more important than ever that food producers are given the confidence and the right environment in which to improve their productivity and competitiveness, particularly outside of the EU.
- NFUS has submitted the contents of this submission in written correspondence to the Cabinet Secretary for Finance and the Constitution. The below submission contains a range of measures which NFUS would wish the Scottish Government to consider in this, and future, Budget Statements.

#### **Agricultural budgets**

First of all, it is relevant to consider all Scottish Budget announcements against the backdrop of the Brexit negotiations.

The Conservative Party Manifesto has committed to deliver "the same cash total in funds for farm support until the end of the parliament" however there remains significant uncertainty over the future of agricultural budgets once the UK exits the EU.

Security of this essential funding is welcome and provides some element of certainty and stability for farmers and crofters in the short term. However, questions do remain on how this money will be delivered to Scotland after 'EU exit day' in 2019. NFUS would support the Scottish Government in any push for clarity from HM Treasury on whether the funding will be delivered as it was previously, or by other means. Equally, NFUS has called upon Scottish Government to also commit to ringfence any future budget to agricultural spend, and deliver this funding as had originally been planned, in the interim period 2019-22.

Looking beyond our departure from the EU, NFUS argues strongly that this quantum of funding must be at least maintained after 2022.

In addition to this, clarity on committed Scottish Government spend on Pillar 2 schemes funded jointly by the EU and the Scottish Government is also needed. Pillar 2 schemes are vital to many Scottish farmers and crofters – a large number of which are operating in the most marginal areas, or use the support to deliver on vital environmental and biodiversity outcomes. The Less Favoured Area Support Scheme

(LFASS) is one example of a lifeline scheme for a vast number of Scottish farmers and crofters and it is co-financed to a large extent by Scottish Government funds.

NFUS considers that it is vital that the original £65 million annual budget earmarked for this scheme is protected. NFUS notes with concern that SRDP indicative budgets were significantly revised in August 2017, including a £40 million reduction in LFASS from £459 million to £419 million. Whilst this could be explained by EU requirements to move to so-called 'parachute payments', NFUS believes that this is being used as a budget saving as the 'underspend' on LFASS appears not to have transferred to other accessible elements of the SRDP. If 'parachute payments' are deferred to 2019, as per the EU omnibus regulations, then NFUS has asked that the Scottish Government fully reinstates the LFASS budget.

NFUS also considers that indicative Scottish Rural Development Plan (SRDP) budgets to 2020, some of which received cuts in previous Budget years, must also be reinstated.

Following the Scottish Government's recent decision to effectively cease the Environmental Co-operation Action Fund (ECAAF), which forms part of Scotland's Rural Development Programme (SRDP), NFUS contends that the indicative budget for ECAAF (some £10 million) should be fully re-directed towards the new entrants' components of the SRDP 2014-2020 – namely, the Young Farmers and New Entrants Start Up Grants Schemes and the New Entrants Capital Grant Scheme. These elements of the SRDP have been over-subscribed to date, and represent a very clear investment in rural Scotland's future that will yield a dividend.

In terms of other support delivered under the CAP, NFUS has called for Scottish Government to ensure that the Budget protects the Processing and Marketing Grants Co-operation Scheme. This scheme is extremely valuable in investing in Scotland's processing capacity – a vital tool if we are to meet the Scottish Government's ambition to double the size of the food and drink industry.

NFUS would also welcome any consideration to increase budgets for SNH and SEPA to implement schemes for species management. Scottish farmers and land managers are increasingly aware of the growing impacts caused by species including geese, sea eagles, and beavers. It is vital that they are supported by government agencies to adaptively manage these species whilst keeping costs under control.

### **Business rates**

The recent removal of the exemption for renewable energy projects has come as an unwelcome shock to farmers who have invested heavily in this type of technology. Whilst Scottish Government has been able to offer some levels of relief for certain aspects of this sector, many farm businesses find themselves in the position of being faced with rates for which they had not accounted in initial budgets. Application of these rates has seen a dramatic slowdown in the implementation of on-farm

renewable energy. NFUS would support measures to reduce any exposure to business rates for these farmers.

In addition to this, as part of the enactment of the Land Reform Act 2016, farmers have been faced with 'sporting rates'. As these are based on the hypothetical sporting rate of land, even those who have no activity of this type on their land are faced with the levy.

NFUS is aware that there is an intention to review the Small Business Bonus Scheme, the mechanism by which many farm businesses do not have to pay rates. However, as this is based on the cumulative value of non-domestic property within the business, farmers who have chosen to diversify (and are thus over the thresholds) are liable for paying sporting rates, where others are not. This is a direct disincentive for farmers to invest, and is not something that NFUS supports.

If the Small Business Bonus Scheme is to be reviewed, NFUS would urge Scottish Government to ensure that this is at least retained, and if it is to be revised that there is provision to ensure that more farm businesses are exempt.

### **Land and Buildings Transaction Tax**

NFUS is aware of ongoing issues which have arisen since the introduction of Landfill Tax. Whilst supportive of this tax, a number of issues have become apparent since it was introduced.

Flytipping is an issue which has always impacted rural areas however NFUS members have reported increased incidences of flytipping since the introduction of the Landfill Tax. It is understood that individuals choose to flytip rubbish on farm land in order to avoid paying this levy. For farmers, particularly those on urban fringes, the issues caused by this can be acute in terms of damage to the land and the financial impact of the land holder then having to take responsibility for clearing the rubbish.

In addition, NFUS is aware of an increase in illegal warehousing of waste where farmers are approached to store waste in empty farm buildings. NFUS understands that this is a tactic being used increasingly by organised gangs, who pay farmers to 'store' waste that they have taken on to avoid paying the Landfill Tax. Farmers then find themselves left with this waste material, and facing the potential of hefty sanctions.

### **Council Tax liability on empty residential properties on farms**

NFUS members have reported concern over council tax liability for empty properties on farms which is causing a significant annual financial burden on farm businesses. The only mechanism possible to provide full relief from council tax liability is to have the property removed from the valuation roll, which is only possible if it is fully derelict.

It is not uncommon for farms in Scotland to have multiple residential properties. This is a throwback to a time when farming was less mechanised, and where the

requirement for live in on farm workers was greater as a result. Some farms continue to provide farm workers with accommodation, as part of their employment package, this is known as 'tied housing'. Where housing is no longer required for agricultural workers, some buildings can be sublet under residential tenancies or short-term holiday lets – although this is also not possible for many due to the standard requirements for property conditions increasingly significantly in recent years.

It can be the case that despite wishing to let property, there can be reasons why this is physically impossible for the farmer. Despite this, liability for council tax remains for these properties. It would be positive if it were possible for farmers who have property that they are unable to let to be able to claim council tax exemptions on these properties.

### **Digital infrastructure**

The UK is the only country in Europe not committed to superfast coverage for farmers and rural communities. In the digital age, this is unacceptable – particularly as the nature of modern-day farming requires a vast amount of paperwork and farm management to be done online. NFUS would like to see Scottish Government work with UK Government to invest in digital and mobile infrastructure in a manner which prioritises rural and peripheral areas first and foremost.

### **Skills development**

It is vital that Scottish agriculture continues to upskill its workforce and attracts new entrants into the industry, and investing in skills is a key vehicle to deliver this. There is a significant amount of work underway between NFUS, education providers, training bodies and Skills Development Scotland to develop agricultural apprenticeships and practical qualifications that will support young people to pursue a career in the industry.

NFUS has called upon Scottish Government to invest in Skills Development Scotland in order to support this important work.

### **Investment in Scottish research capacity**

Scotland boasts world-leading research capacity; an invaluable asset in pioneering new agricultural innovations and tackling plant and animal disease. In the face of Brexit, it is vital that we retain and nurture this capacity to allow knowledge transfer that will enable Scottish farm businesses to address productivity and efficiency issues. NFUS has asked Scottish Government to maintain funding for RESAS to allow its continued contribution to valued agricultural research.

NFUS would also strongly support Scottish Government investment in the proposed Centre of Excellence on Plant Health – funding which NFUS believes represents excellent value for money when the cost to Scotland of not protecting our plants against disease could be so high.

NFU Scotland  
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