

North York Moors National Park Authority

14 December 2015

Agricultural State Aid

1. Purpose of the Report

- 1.1 To advise Members on the need for the North York Moors National Park Authority to ensure that the grants and agreements it offers to the agricultural sector are compliant with European State aid rules.
- 1.2 To seek Members approval for an officer of the North York Moors National Park Authority to submit to Defra data from any or all of the English and Welsh National Park Authorities relating to payments made by the individual Authorities under an Agricultural Block Exemption Scheme and an agricultural *de minimis* scheme which are the mechanisms by which the grants and agreements offered by English and Welsh National Park Authorities to the agricultural sector are compliant with European State aid rules.

2. Background

- 2.1 State aid is the use of national money to fund projects, schemes or activities in the UK. All state-aided schemes are subject to regulations laid down by the European Commission (EC), in line with articles 107 and 108 of the Treaty on the Functioning of the European Union (TFEU). In order for National Park Authorities to be able to offer any significant grant aid and management agreement schemes to the agricultural sector it is necessary to have agricultural state aid approval in place. The current EC approval that the English and Welsh National Parks (excluding South Downs National Park) are able to offer grants and agreements under will expire on 28 February 2016.
- 2.2 Since the submission of the current scheme in November 2008, which received approval in August 2009 and was subsequently extended until 28 February 2016, the EC launched a review of the state aid rules and as a result significant changes have been made to the agricultural state aid regulations, simplifying the process of securing state aid approval. In the past it has been necessary for a full notification to be submitted to the EC, however, the new regulations have resulted in an extension to the block exemption rules to cover new categories which include aid in the agricultural and forestry sectors. This means that the extent of work which the National Park Authority wishes to undertake in terms of grants and agreements is exempt from the notification requirement and can, instead, be covered by an agricultural block exemption scheme.
- 2.3 To offer aid under a block exemption scheme the conditions of the Agricultural Block Exemption Regulations must be met and aid must comply with the terms of the regulation which include aid ceilings and cumulation rules. The EC must be informed using an online notification system at least 10 days prior to granting aid, regular reporting of the aid must be submitted to the EC via DEFRA and records must be maintained for ten years.
- 2.4 Payments that are sufficiently low so as to not distort competition are permitted under *de minimis* aid and can be made without going through the formal bureaucracy. The agricultural *de minimis* ceiling, currently set at €15,000 per beneficiary over a three year rolling period, is much lower for the agricultural sector than it is for other sectors because competition is more easily distorted given that most undertakings are small and medium sized enterprises (SMEs). The *de minimis* ceiling increased from €7,500

to €15,000 in December 2013 but the *de minimis* scheme currently administered by the English and Welsh National Park Authorities (excluding South Downs National Park) still relates to the previous limit of €7,500 limit.

3. Proposed Action

- 3.1 It is proposed that that an Officer from this Authority works with Officers from the other National Park Authorities to develop a scheme that is compliant with the Agricultural Block Exemption Regulations (ABER) that will allow the individual Authorities to offer grant aid and land management agreements to the farming community in pursuit of National Park purposes.
- 3.2 It is also proposed that a request is made to DEFRA for permission to implement a new *de minimis* aid scheme to replace the existing scheme. This will allow National Park Authorities to have a larger share than they currently have of the *de minimis* pot that is granted to the UK by the EU, which would take into account the higher *de minimis* ceiling. It is proposed that the new *de minimis* scheme will run for six years from 1 January 2015 with a maximum spend of €1.5 million (though still subject to the new per beneficiary ceiling of €15,000), to extend beyond the term of the new ABER scheme, ensuring that National Park Authorities have a mechanism for delivering grants and agreements regardless of any subsequent changes to state aid regulations, albeit Authorities would be limited by the *de minimis* ceiling.

4. Financial and Staffing Implications

- 4.1 In order to be compliant with the Agricultural Block Exemption Regulations an annual return will need to be compiled and submitted to Defra and in order to be compliant with the agricultural *de minimis* regulations monthly returns will need to be compiled and submitted to Defra. It is proposed that an Officer of the NYMNPA collates data from any or all of the English and Welsh Authorities for submission to Defra in relation to each of these schemes.
- 4.2 In addition to Officer time spent developing an ABER scheme and an agricultural *de minimis* scheme and to compile and submit necessary data to DEFRA it has been necessary to commission Askham Bryan College to review the payment calculations to be included in the ABER scheme The NYMNPA has offered to meet this cost of £1400 (plus VAT) which can be met from existing budgets under existing delegations.
- 4.3 Should costs increase beyond those anticipated in 4.2, it will be possible for the NYMNPA to request a contribution from other NPAs to be made towards the cost of compiling and submitting the data to Defra.
- 4.4 The Authority's Conservation risk register includes a specific risk on the failure to secure state aid with appropriate control measures included.
- 4.5 As part of funding applications (for example in the Stage 2 application for This Exploited Land) funders usually require applicants to explain how they will address state aid issues. The approach outlined in this report, and our previous work on this issue, put us in a strong position to give confidence to funding bodies that we have a robust and best practice approach to agricultural state aid.

5. Contribution to National Park Management Plan

- 5.1 Ensuring that mechanisms are in place to enable the Authority to offer grants and agreements to the agricultural sector that are compliant with European State aid rules is critical to the Authority achieving each of the Management Plan Policies set out

within the Environment chapters of the Plan as state aid compliant grant delivery is crucial to affecting action on the ground whether it be through core funded delivery or externally funded schemes.

6. Legal Implications

- 6.1 The NYMNPA (and other UK NPAs) would individually be failing to comply with European Law if the grants and agreements that they each offered to the agricultural sector were not compliant with current agricultural State aid rules.

7. Recommendation

- 7.1 That Members note the report
- 7.2 That Members give their approval for an officer of the North York Moors National Park Authority to submit to Defra data from any or all of the English and Welsh National Park Authorities relating to payments made by the individual Authorities under an Agricultural Block Exemption Scheme and an agricultural *de minimis* scheme which are to be implemented under the current EU regulations.

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Background papers to this Report

File ref

None