

Route three – the National Reserve

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Overview

The National Reserve is the name we give to the pool of money taken from the total funds available for the Basic Payment Scheme in Scotland.

It is used to allocate payment entitlements, as a priority, to Young Farmers and New Entrants to farming.

It will also be used to allocate payments to farmers to compensate for specific disadvantages and to farmers who are prevented from being allocated payment entitlements as a result of force majeure or exceptional circumstances.

Certain categories of farmers who do not qualify for entitlements automatically through the first route – agricultural activity in 2013 – can use the National Reserve and obtain entitlements.

National Reserve entitlements will be allocated based on the payment region your land is in.

[You can find out more about payment regions here](#)

The European Commission allows for up to three per cent of the Scottish Basic Payment Scheme budget to be used to establish the National Reserve.

This amount can be increased to meet demand for the New Entrants and Young Farmer categories, which we must allocate to as a matter of priority, as well as the specific disadvantage category.

The National Reserve will be replenished annually from a number of sources, including:

- any Basic Payment Scheme entitlements that have not been activated for payment during two consecutive years
- any Basic Payment Scheme entitlements voluntarily returned or found to have been unduly allocated
- reducing the value of already allocated Basic Payment Scheme entitlements. This would be done to ensure there is enough budget to meet the demand from New Entrants and Young Farmers applying to the National Reserve, or to respond to court rulings

Key dates

Single Application Form and Allocation of Entitlements Forms 2015	
15 May	Submission deadline for forms and documentary evidence
16 May to 9 June	Late claim penalties – payments reduced by three per cent per working day for late submissions. Late claim penalties may not be applied in cases of force majeure or exceptional circumstances
10 June onwards	Forms no longer accepted

National Reserve categories

New Entrant – if you started an agricultural activity in 2013 as a head of holding or later and didn't farm in your own name or at your own risk in the five years before

Young Farmer – if you are less than 41 years of age on 31 December of the year you apply for an award and are setting up for the first time as head of the holding

Force majeure or exceptional circumstance – if you have experienced a force majeure or exceptional circumstance event which has affected the potential value of your payment entitlements under the Basic Payment Scheme

Specific Disadvantage – if you were allocated National Reserve-type entitlements in 2005, as a result of an application under the New Entrant or Investor categories of the 2005 National Reserve.

Alternatively, if you did not receive an automatic allocation of standard, set-aside or Payment Entitlements with Special Conditions type entitlements, including businesses that purchased payment entitlements in any year since 2006 and still held these in 2014

New Entrants

This category is available to sole traders, partnerships, or a legal person, for example a limited company, that started farming in 2013 or later.

- if you wish to be considered for entitlements as a sole trader, you must not have carried out any agricultural activity in your own name or at your own risk in the five years before the start of your current farming activity
- if you wish to be considered for entitlements as a partnership, none of the partners can have carried out any agricultural activities in their own name or at their own risk, or as the person in control of, for example, a limited company (i.e. legal person), in the five years before the start of the partnership's current agricultural activity

For legal persons, the controlling members must not have carried out agricultural activities in their own name or at their own risk.

Also, they should not have had the control of a legal person exercising an agricultural activity, in the five years before the start of the current agricultural activity exercised by the legal person.

Working on a farm (for example, as a farm manager or a farm labourer) would not be considered as undertaking an agricultural activity.

You must submit your first application for Basic Payment Scheme no later than two years after the calendar year in which you started the current agricultural activity.

This means that if your business started in 2013, the last year in which you can apply to the National Reserve is 2015.

Documentary evidence must be submitted to confirm the date the agricultural activity commenced. This could be one or more of the following:

- confirmation of the date the holding was registered
- registration with British Cattle Movement Service (BCMS) / Animal Movement Licensing System (AMLS)
- animal record books

- pesticide records

If your National Reserve application is successful and you have submitted a 2015 Single Application Form, declaring at least three hectares of eligible land, and you meet the criteria for being an active farmer, you will be allocated a number of Basic Payment Scheme entitlements.

This will be equal to the number of eligible hectares that you declare on your 2015 Single Application Form and that are 'at your disposal' on 15 May, 2015.

They will be valued at the average entitlement rate per payment region in the year they are allocated and will move in equal steps to the final rate in 2019.

Those who already hold Basic Payment Scheme entitlements and also qualify under the National Reserve will have the value of those entitlements topped up to the average entitlement rate for that payment region.

Young Farmers

This category is available to sole traders and members of partnerships or limited companies who are less than 41 years of age on 31 December of the first year they apply for the Basic Payment Scheme.

They must be setting up for the first time as head of holding or have control of a partnership / legal person (eg, limited company) in the five years before submitting their first application for Basic Payment Scheme.

This could be setting up a new business or taking over an existing business.

- the minimum age of the Young Farmer becoming head of holding or taking control as a sole trader or partnership is 16 years of age at the time that they become head of holding or take control of the partnership
- the minimum age of the Young Farmer becoming head of holding or taking control of a legal person (for example, a limited company) is 16 years of age at the time that they become head of holding or take control of the legal person

Sole trader

If you wish to be considered for entitlements as a sole trader, in addition to being less than 41 years of age on 31 December of the first year you apply for the Basic Payment Scheme, you must have set up a new holding as head of that holding.

Partnership

If you wish to be considered for entitlements under the Young Farmer category and are a partnership, at least one member of the partnership must be less than 41 years of age on 31 December of the first year they apply for the Basic Payment Scheme.

That member of the partnership must be capable of exercising effective and long-term control of the partnership in terms of decisions related to management, benefits and financial risks. This control can be exercised either alone or jointly with another member of the partnership other members of the partnership not need to be less than 41 years.

Where there is joint control, the Young Farmer must be able to demonstrate that they make the decisions as detailed above.

Partnerships will need to supply documentary evidence demonstrating that the person who is less than 41 years old is capable of exercising the effective and long-term control of the partnership as detailed above.

In the case of a Young Farmer taking over as head of holding or taking control of an existing partnership, documentary evidence must be supplied demonstrating how they exercise control of the partnership.

As an example, this could include being entitled to a majority share of profits. In this case we would require a letter from a solicitor or accountant confirming the set-up of the partnership or how the share of profits are divided among the partners.

Limited company

For legal persons – for example a limited company – a member of the company less than 41 years old on 31 December in the year of submitting the first application for Basic Payment Scheme would need to

be exercising effective control of the company in terms of decisions related to management, benefits and financial risks.

If the limited company consists of members of various ages, the member who is less than 41 years of age must be capable of exercising effective control of the company for example as managing director.

As detailed above, this control can be exercised either on their own or jointly with another member of the Company (who does not need to be 40 years of age or less).

Checks will be undertaken with Companies House to establish the make-up of limited companies. Where such checks prove inconclusive, documentary evidence may be requested in support of the application.

Evidence

Documentary evidence must be provided in all cases to prove date of birth, either a birth certificate or passport or driving licence.

In all cases you must also submit documentary evidence to prove that the Young Farmer is head of the holding or has control of the partnership / legal person. This could be one or more of:

- Company Articles of Association
- accountants / solicitors letter confirming partnership constitution
- bank accounts / accountants letter to confirm share of profits
- bank letter confirming who has the authority to sign cheques
- any other documentary evidence you feel is appropriate or which we may reasonably request when considering an application

Allocation

If your National Reserve application is successful and you have submitted a 2015 Single Application Form declaring at least three hectares of eligible land you will be allocated a number of Basic Payment Scheme payment entitlements.

These will be equal to the number of eligible hectares that you declare on your 2015 Single Application Form and that are 'at your disposal' on 15 May, 2015.

The Basic Payment Scheme payment entitlements will be valued at the average entitlement rate per payment region classification in the year they are allocated and will move in equal steps to the final rate in 2019.

Those who already hold Basic Payment Scheme entitlements and also qualify under the National Reserve will have the value of those entitlements topped up to the average entitlement rate for that payment region.

There is an additional payment under the Basic Payment Scheme for Young Farmers called the Young Farmer payment which will need to be claimed for on the 2015 Single Application Form.

Force majeure or exceptional circumstances

This category is available to farmers who have suffered a force majeure or exceptional circumstance event that has affected the potential value of your payment entitlements under the Basic Payment Scheme.

The exceptional circumstances or force majeure situation must be abnormal and unforeseeable conditions outside the farmer's control, and the consequences of which, in spite of the exercise of all due care, could not have been avoided.

We recognise circumstances such as:

Circumstances	Acceptable documentation
Death of an active member of the farming business	Death certificate
Illness of the producer or an active member of the farming business	Medical certificate
A severe natural disaster gravely affecting the holding's agricultural land, including the accidental destruction of livestock buildings on the holding	Either evidence of insurance claim and its payment, including, if appropriate, Meteorological Office records or evidence from the body responsible for the disruption

An epizootic affecting part or all of the farmer's livestock	Veterinary evidence
Other exceptional circumstance	Other appropriate documentary evidence

The cases shown above are not, by themselves, enough to qualify as exceptional circumstances.

However, they will be a significant factor in deciding whether exceptional circumstances existed in any particular scheme year.

Successful applicants from the force majeure or exceptional circumstance category will be put back in the position they would have been in, had the force majeure or exceptional circumstance event not occurred, providing there is sufficient budget available to meet demand.

Specific Disadvantage

There are two parts to this category.

Firstly, you can apply under this category, if you were allocated National Reserve-type entitlements in 2005, as a result of an application under the New Entrant or Investor categories of the 2005 National Reserve. Alternatively, you can also apply in this category if you did not receive an automatic allocation of Standard, Set-Aside or Payment Entitlements with Special Conditions-type entitlements, including businesses that purchased payment entitlements in any year since 2006 and still hold these in 2014.

The second part of the specific disadvantage category exists to compensate businesses that were not catered for under the previous reform in 2005 because they began their agricultural activity after 15 May, 2005. The two types of businesses targeted are:

- businesses that participated in the Single Farm Payment Scheme after buying or leasing in payment entitlements. Some of these businesses did not obtain entitlements to cover all of their eligible land or obtained low value payment entitlements. This category provides an opportunity for these businesses to be allocated Basic Payment Scheme entitlements at the regional average value
- businesses that did not participate in the Single Farm Payment Scheme. These businesses will gain access to entitlements through eligible activity in 2013 but they will not have an entitlement value in 2014 and therefore their Basic Payment Scheme entitlement value allocation will be low, i.e. the convergence factor only, as they have no base value. This category provides them with an opportunity to be allocated entitlements at the regional average value

Qualifying for more than one category

You can be considered for more than one category provided that you complete the relevant sections on the form and provide supporting documentary evidence, but you will only be awarded entitlements under one.

Calculating National Reserve entitlements

All Basic Payment Scheme payment entitlements, including entitlements allocated from the National Reserve, can only be activated using land in the Scottish payment region in which they have been allocated.

Final calculations can only be completed once the majority of applications and claims that are submitted in 2015 have been checked.

You will be notified by 31 December, 2015 of the provisional number and value of entitlements for the period 2015 to 2019.

We will write to all customers by April 2016 to confirm their definitive number and value of entitlements.

Usage rules

All Basic Payment Scheme payment entitlements, including entitlements allocated from the National Reserve, are subject to a two-year usage rule.

The rule has changed, compared to the two-year usage rule that was in place for the Single Farm Payment Scheme.

From 2015, over any two-year period you must activate (use) all of your Basic Payment Scheme payment entitlements in at least one year.

Therefore it will not be possible to rotate entitlements using some in year one and the remainder in year two.

If you lease your Basic Payment Scheme entitlements out, you will be relying on that farmer to ensure the two-year usage rule is met.

If leased-in Basic Payment Scheme entitlements are not activated during the rolling two-year period they will revert to the National Reserve.

For example:

- in the case of a farmer who had 50 Basic Payment Scheme entitlements allocated (and activated) in 2015, who then activates 30 Basic Payment Scheme entitlements in 2016 and 50 Basic Payment Scheme entitlements in 2017, they will have activated all 50 entitlements at least once in the two-year period
- however, if they had activated only 40 entitlements in 2017, they have not activated all 50 entitlements once in the two year period and the 10 entitlements not used will be withdrawn and revert to the National Reserve

The lowest value entitlements (owned or leased-in) will revert to the National Reserve first.

You may be exempt from the two-year usage rule if you can prove that you (or your business) were subject to exceptional circumstances or a force majeure event, which prevented you from activating the entitlements for the relevant Basic Payment Scheme year.

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