Supplementary written evidence submitted by National Trust (RUT0310)

Introduction

The National Trust submitted written evidence to the Environment, Food and Rural Affairs Committee inquiry on rural tourism in England in September 2016 (reference RUT0282). Paul Forecast, the Trust Director for the East of England, also gave oral evidence at the session on January 25th 2017. This submission follows up on that evidence session in three areas:

- VAT, historic buildings and tourism
- National Parks and Areas of Outstanding Natural Beauty planning powers
- Policy on farming, the environment and rural development once the UK leaves the Common Agricultural Policy

VAT, historic buildings and tourism

The Trust has previously contributed to various campaigns calling for a reduced rate of VAT for repairs and maintenance. Leaving the EU means that there is likely to be more flexibility for the Government to act. There is strong evidence about the positive economic and heritage outcomes from such a move. However, the cost of this in lost revenue would be significant and ways to target or provide similar benefits through alternative measures could be considered. This could include:

- Targeting the applicability to those providing public benefit from their expenditure on repairs and maintenance of buildings, eg limiting it to charities
- Limiting applicability of the reduced rate to certain types of buildings, for instance listed buildings, pre-1900 buildings or those within conservation areas, National Parks or Areas of Outstanding Natural Beauty (AONBs)
- Providing funding for local authorities as an alternative, where local authorities would distribute grants to owners wishing to undertake repair work. This would have the advantage of making sure that appropriate work is undertaken, with the correct consents, and with qualified guidance from Conservation Officers. This could also support the retention of experienced Conservation Officers within local planning authorities

The National Trust incurs about £3m p.a. of irrecoverable VAT on its Let Estate cottages. If the rate of VAT was reduced from 20% to 5% on all properties then we would save £2.25m p.a.

Regarding a reduced rate of VAT for tourism services again this is likely to be part of a call for a revised VAT system post-Brexit. The Trust has already contributed to the debate in Northern Ireland for a reduced VAT rate there in order to compete with the Republic (please see attached appendix with our evidence to the House of Commons Northern Ireland Committee inquiry on promoting the tourism industry in Northern Ireland through the tax system) but the problem is the difficulty of having a reduced rate in one part of the UK. We
would welcome a debate on reducing the rate of VAT on tourism related services and on cultural services as part of the discussion about the UK’s approach after Brexit.

**National Parks and Areas of Outstanding Natural Beauty planning powers**

At the evidence session on 25 January, there were a number of questions about the relative roles of National Parks and AONBs. The National Trust has commissioned research on planning in AONBs and, with Campaign for National Parks and CPRE, on how the major development test is applied in National Parks.

The suggestion from questions in the evidence session was that National Parks should have their planning powers removed because the AONB model is successful. The Government’s commitment to protect AONBs is clear but our research found some problems with how safeguards to prevent inappropriate development are being implemented in some places. With local planning authorities losing staff and expertise and being pressured to make decisions in favour of development, the practice of local planning authorities in properly implementing the National Planning Policy Framework’s protections for AONBs is sometimes falling below what it should be.

The second piece of research on National Parks found that interpretations of ‘major development’ vary between the National Parks, and decisions to approve planning applications often reflect the Government ‘mood’ at the time. This varying approach has led to a number of recent major developments being granted permission that threaten the protected areas’ beauty, along with their cultural and environmental significance, and which could impact on their appeal as tourist destinations.

Along with Campaign for National Parks and CPRE, we called for a renewed commitment from the Westminster Government to make sure National Parks in England are protected against inappropriate, damaging development. We want to see:

- The Government reconfirming its commitment to National Parks in the forthcoming 25 Year Plan for the Environment by clearly stating how they will ensure their long-term protection and enhancement. It is also essential that protections for nature are maintained after the UK leaves the European Union.
- National Park Authorities developing local plan policies that set out clearly how the protection against major development should be applied in their National Park.
- Natural England taking a more active role in ensuring that National Parks are effectively protected from major development. This should include producing an annual update setting out how the major development test is being implemented and providing guidance or training for National Park Authorities to address any issues identified.

**Policy on farming, the environment and rural development once the UK leaves the Common Agricultural Policy (CAP)**

On average, farmers make a loss from their agricultural activities. Farm incomes are supported by CAP basic payments, CAP agri-environment funding and income from
diversification. CAP is therefore very important for farm incomes. It has also had a significant effect in driving intensification of farming but, in recent decades through agri-environment schemes, it has also funded projects to restore the natural environment with benefits for some species and habitats.

Evidence from the Defra Farm Business Survey suggests although 61% of all farms accommodate some type of diversified activity, only 5% host tourism accommodation or catering and only 12% sport and recreation.

The UK scores badly in terms of perceptions of the attractiveness of its countryside for international visitors, compared to its cities and heritage. To some extent this is made up for by domestic visitors, but their spending is mainly based on day visits, limiting some of the potential for tourism businesses.

Leaving CAP therefore is important for farmers’ incomes, to restoring a healthy and beautiful natural environment and, based on this, to improving the attractiveness of rural areas to international and domestic visitors. The National Trust has set out its principles for the replacement for CAP (see attached appendix). As part of any transition to a new system, help should be made available to farmers to develop new income streams, for instance to slow and clean water upstream or advice and loan finance to develop new offers for tourists. The Swiss model of support for funding may also be relevant in this instance, with both national and local funding helping ensure positive environmental benefits which also support Switzerland’s tourist industry.
Appendix 1: Written Evidence submitted by the National Trust for the Northern Ireland Affairs Committee's inquiry into promoting the tourism industry in Northern Ireland through the tax system (TAX0011)

See link to written evidence on Northern Ireland Affairs Committee web pages.

Appendix 2: Principles for a new post-CAP, post-Brexit land management policy

Background

Membership of the EU has been an important influence on how the UK looks after its natural and historic environment, but the Common Agricultural Policy (CAP) has not been without its problems. It is therefore important that in the process of choosing a new model for our relationship with the EU and our countryside, we involve all those with expertise and interest in the issues, including ensuring there is a full public debate, to make sure we settle on the right approach.

What we need

The vote to leave the EU presents an urgent opportunity for the UK Government and devolved administrations to shape a new and better system that encourages increasingly better stewardship of the countryside that works for all. The starting point has to be the protection of the natural and historic environment and the principle that public funding needs to deliver public goods - with an increasing role to be played by the growth of new environmental markets that recognise the different functions of land, secure a more financially viable future for farming and reduce dependency on the taxpayer.

Replacing the CAP with a smart agricultural policy for the 21st century should allow the UK and devolved governments to design a system that is focused on addressing market failures, focused on what really will make a difference and drawing on the expertise of farmers and conservationists, and delivering at the right spatial scale – local enough to ensure objectives meet real needs but big enough to deliver at a landscape level.

Ultimately, this means taxpayers would only be paying public subsidy to farmers in return for things that the market will not pay for but are valued and needed by the public. We will need some kind of transition period to get there, building on existing schemes like agri-environment to engage all farmers and pay for the outcomes that society values most.

To achieve this, we need to put the recovery and future resilience of the natural environment at the heart of the system to replace the CAP, working hand-in-hand with farmers in preparing for the challenges of the 21st century whilst reversing decades of damage to the countryside and the ongoing decline of species.
We want to work with farmers, the UK Government and devolved administrations, and other stakeholders to secure this fundamentally different approach to land, one that offers a good deal for taxpayers whilst achieving a truly sustainable and thriving countryside. And farmers and other land managers should not be regarded as the problem but as key to the solution.

The speech by our Director-General Helen Ghosh at Countryfile Live on 4 August set out our vision for a future for the countryside in a post-Brexit, post-CAP world. What is set out below is based around and underpins that vision beginning with the following five principles:

1. **Public money must only pay for public goods – with farmers delivering the most receiving the most in public funding**
2. **It should be unacceptable to harm nature but easy to help it**
3. **Nature should be abundant everywhere**
4. **We need to drive better outcomes for nature, thinking long-term and acting big**
5. **We must invest in science, new technology and new markets that help nature**

These should be the fundamental principles to put the recovery and future resilience of the natural environment at the heart of a new system – which we recognise should also address other issues, from risk management to helping farmers secure better value from the supply chain.

While other aspects of the post-Brexit world will take longer to develop, there is an urgent need to develop the UK and devolved governments’ policy on food and farming. If Article 50 is invoked at the beginning of 2017, then we could be out of CAP within two years. That is a very short time to develop a policy of such impact on farming, the environment, land management and the country’s food supply. In addition, agreements that are entered into now under CAP are likely to continue beyond the UK’s membership of the EU if “Brexit means Brexit” is to be believed.

**Why we care and why we can help**

The National Trust is Europe’s largest conservation charity with 4.8 million members and is the UK’s largest private landowner and farmer with some 250,000 hectares of land and 1,800 agricultural tenancies. Under our new strategy, we are committed to developing innovative ways of managing land on a scale which are good for farmers, the economy and the environment – the overall goal being to secure the recovery of nature.

To achieve our vision for a natural environment that is healthier, more beautiful, rich in nature and culture, enjoyed and productive we believe there is a need to change how land management decisions are made – based on taking a broader view of what land is for and how it is funded.
Our new approach is to first focus on our own land. We will soon be announcing exciting plans backed up by clear targets to improve the health and beauty of our own land, both land that we directly manage and that let to tenants.

Secondly, it’s about better partnership working with other landowners, enabling land under a conservation regime to be bigger, better, more and joined up.

And thirdly, it’s also about the systems and markets under which land is managed. Although we and other conservation bodies own a lot of land, it won’t be enough - land as a whole needs to be better managed if the natural environment is to recover. Key to this is that markets and the natural capital agenda, not subsidies or grants, are where there will be more opportunities in the future, given anticipated post-Brexit squeeze on public expenditure and what replaces CAP.

**Delivering the five principles**

**Objective**
This is a once-in-a-lifetime opportunity to create a new policy that moves farmers away from their historical dependence on subsidies that have contributed to the decline of the UK’s natural environment and done little to prepare them for the challenges of the 21st century.

Working with stakeholders from the conservation and farming sector, we want to move to a new, better value model of hybridised public and private support to protect and enhance our natural and cultural assets whilst nurturing new market opportunities around land. This would help to underpin the future viability of UK farming and preserve our countryside for future generations. We believe land should be valued for everything it produces, not just an informal ‘contract’ with society to produce food.

**Principles**

1. **Public money must only pay for public goods – with farmers delivering the most receiving the most.** Currently, most of the £600m rural development pot we get from Brussels (out of the £3.1bn total CAP funding allocation) benefits wildlife and the environment. The majority of the remaining CAP funding goes on direct payments based on farm size. This basic income support payment should be removed as part of a transition to a new model, with an increasing role to be played by agri-environment schemes and, ultimately, the growth of new markets/private investment. A certain level of public funding will continue to be required to ensure governments and taxpayers retain a stake in any new system beyond simply regulation. This would pay for the delivery of public goods for which a market does not exist. Farmers that provide the most public benefit (or best outcomes for society) should receive the most from any public funding streams.

2. **It should be unacceptable to harm nature but easy to help it.** Currently, only 30% of the direct payment is conditional on meeting ‘green’ farming standards with penalties for non-compliance only going as far as losing that sum (probably to be increased a little from next year). Nature and natural systems should be at the heart
of any system of support for farming with farmers seen as partners in creating and delivering the solution to the crisis in the state of nature. Regulations should be clearly related to and underpin outcomes, with 100% of any public payment being conditional on meeting higher but more manageable baseline standards such as for wildlife, soil and water. Farmers should be able to make a living without degrading the environment or compromising the ability of future generations to farm (promoting the good stewardship and enhancement of the countryside).

3. **Nature should be abundant everywhere.** We need a system that recognises the environmental value of all land. The system needs to support nature in the lowlands as well as the uplands - people in towns and cities also need access to wildlife, recreation and the services the environment provides.

4. **We need to drive better outcomes for nature, thinking long-term and acting big.** Nature does not respect farm boundaries and needs joined up habitats on a landscape scale, not overarching subsidies which are then implemented on a farm-by-farm basis. Farmers also need long-term certainty to plan and build the long-term resilience of the natural assets on which farming is built. And nature itself does not respond to political or Treasury spending cycles but needs long-term funding to achieve outcomes. In the future, we should start at the landscape level, with farmers and landowners working collaboratively to help set plans based on clear, long-term outcomes. Decisions on what public goods/outcomes to fund should be taken at a level closer to farmers and ecosystems but with a “line of sight” to central government (drawing on international conventions that the UK has signed up to) down to the local level.

5. **We must invest in science, new technology and new markets that help nature.** Public funding should help create ways of farming that benefit nature and help develop new markets to reward farmers for providing services like storing carbon, preventing floods and promoting biodiversity. The new system should play an important role in the realisation of these new market opportunities hand-in-hand with public funding. Putting nature at the heart of the system will not only enhance the natural assets that underpin food production but open farming to new funding opportunities. We need to create the enabling framework to make that a success, thereby reducing the reliance on public funding.

**Role of Government now**

We welcome the Government’s decision to continue funding agri-environment schemes up to and beyond the point we leave the EU.

Defra should bring together the separate 25 year plans for food/farming and the environment into a strategy for land, and there is a need for better local environmental governance to set outcomes at the right level.

The new approach from government needs to start with the current system, using it to transition to a new framework.
What next?
We want to set up a debate with the Government, farming and conservation organisations, other key stakeholders and the general public. We think there are five key areas to address. These are:

1. How do we establish an enhanced but more straightforward minimum baseline for farmers to follow?
2. What would a transition programme look like, recognising where we need to get to and what mechanisms would best achieve this?
3. What is the best way to support upland and other marginal farmers that would be most under pressure from the withdrawal of direct subsidy payments?
4. How do we design a new system built around payments for outcomes, which balances how public and private funding works hand-in-hand?
5. How do we address other market failures and weaknesses, as part of a ‘whole-system’ approach?
6. How could we best administer and deliver a system which is tailored to farmers’ needs, environmental outcomes sought and the different socio-economic conditions existing across all four countries of the UK?

The outcome

In time, we would have a fundamentally different deal for farmers to drive a fundamentally different strategy for land. The true benefits and costs from the way land is managed will be visible and accounted for. Wherever possible, markets will have been established for environmental goods, providing a new range of income for farmers who manage their land for objectives beyond food production. Public funding will be directed toward securing outcomes for nature, heritage and wider society for which there is no market. There will be a higher but simplified minimum standard, consistent with and backed by regulation. Farmers that want to fundamentally change their businesses to achieve this and those that want to innovate and try new methods will have been supported to do so. As a consequence of all of this, wildlife will be returning to our fields and hedgerows for future generations to enjoy, the future viability of farming and sustainability of food production will be secured, and a thriving countryside and beautiful landscapes will be achieved for the benefit of all.

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ii See Questions 302 to 305

iii See https://ntplanning.wordpress.com/2015/09/30/protecting-englands-special-countryside-new-nt-report-on-aonbs/

iv See https://ntplanning.wordpress.com/2016/12/05/government-should-renew-its-commitment-to-protecting-englands-national-parks-says-new-report/

v Defra Farm Business Survey 2014-2015

vi UK is fourth in the Anholt GfK nations brand for vibrant cities and fifth for historic buildings / monuments but only 18th for countryside.

vii 340m day trips were made to English countryside areas in 2014 with a total spend of £8.4bn.
32.6m overnight holiday stays were spent in rural England in 2014, valued at £2.2bn (Visit England)