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Dear Sir / Madam

NATIONAL RESERVE ENTITLEMENTS – USAGE AND TRANSFER RULES

We are writing to inform you of a recent change to the Single Payment Scheme (SPS) Regulations that alters the action taken when the usage rules for National Reserve entitlements are not met. As a successful applicant to the National Reserve you may be affected by this change; if you are, and you wish to transfer former National Reserve entitlements for the 2007 scheme year, you will need to take urgent action.

Change to the scheme rules

In the SPS Handbook and Guidance for England 2005, paragraph 82, it was explained that entitlements allocated in whole from the National Reserve or entitlements increased in value by more than 20 per cent, because of an allocation from the National Reserve, should be used every year for five years following their allocation. (In relation to the term 'used', it refers to those entitlements claimed in support of an associated eligible hectare of land within the meaning and terms of the SPS in general).

When the 2005 and 2006 handbooks were published, the result of not using a National Reserve (Eng Res) entitlement during any year of the five-year usage period was that the whole entitlement was lost. Where the whole of the entitlement is allocated from the National Reserve this is still the case.

In light of the recent change to the SPS Regulations, where a National Reserve award resulted in a top-up of more than 20 per cent and this National Reserve (Eng Res) entitlement is not used during the five-year period only the value of the National Reserve top-up is lost, not the entitlement itself.

In these cases, the top-up element is deducted from the entitlement value and any remaining historic and/or flat rate value assumes the status of a 'Normal' entitlement. The example on page four demonstrates how losing the top-up element of your National Reserve entitlement(s) affects its value.

Once entitlements change status from National Reserve (Eng Res) to Normal they may either be retained by the original owner or transferred (subject to the usual transfer rules). In both circumstances, the newly formed Normal entitlement(s) may only be used in the year(s) subsequent to that in which they reverted to Normal status.

Please note, after the change of status, entitlements will be subject to the rules associated with Normal entitlements and therefore will need to be used at least once in every three consecutive years otherwise they will be surrendered to the National Reserve.

Any National Reserve (Eng Res) entitlements that have been used every year since their initial allocation retain their National Reserve status along with any associated top-up value issued to them. These entitlements will only retain National Reserve (Eng Res) status and value provided they continue to be used each year for the five years from their allocation. Such entitlements are non-transferable for this period except in cases of inheritance or where there is a merger or scission of a business.

This change to the Regulations is retrospective, and so as well as applying to future scheme years, it also applies to National Reserve (Eng Res) entitlements that were not used during the 2005 and/or 2006 scheme years. This means that entitlements with National Reserve status that were not used in 2005 and/or 2006 will have lost their National Reserve top-up value and reverted to Normal status. These entitlements may now be retained by you, or transferred, for use in the 2007 scheme year.

Any National Reserve entitlements that you choose not to use in the 2007 scheme year will lose the National Reserve top-up element of their value and revert to Normal status. These entitlements may be either retained by you or transferred for use in the 2008 scheme year (subject to usual transfer rules).

Please note, however, that if you did not use your National Reserve entitlement(s) in both 2005 and 2006 they will have reverted to being Normal entitlements and they will need to be used in 2007 in order to meet the usage rules for Normal entitlements. If you do not activate these entitlements for payment in 2007, or transfer them to another farmer who uses them in 2007, they will be surrendered to the National Reserve.

Transferring your former National Reserve entitlements

Should you wish to transfer your former National Reserve (Eng Res) entitlements for use in the 2007 scheme year, you will need to complete an RLE1 form.

RPA's computer system has not yet been updated to reflect the change in the Regulations so the number and value of National Reserve entitlements as shown on your 2006 Entitlements Statement may be incorrect. Therefore, if you wish to transfer your former National Reserve entitlements before you receive a revised Entitlements Statement (which will be issued once the computer system has been updated, later this year), you will first need to refer to your 2005 and/or 2006 SP5 application and your latest 2005 Entitlements Statement to identify which National Reserve entitlements were not used in 2005 and/or 2006. You should then enter the details at Part C of the RLE1 form from your latest 2005 Entitlements Statement relating to the National Reserve (Eng Res) entitlements that you wish to transfer. At Part C1 of the RLE1 form, enter the existing block ID number and enter the type of entitlement at Part C3 as National Reserve (NR).

You should leave Part C4 of the form blank.

Please remember to complete all other relevant sections of the RLE1 form before it is submitted.

You must include a covering letter with your RLE1 form confirming that the National

Reserve entitlements have not been used during a previous scheme year, indicating which year this was, and have reverted to Normal entitlements.

Important

If you do not include a covering letter it may delay the processing of your RLE1 form and subsequently delay the transfer of entitlement(s).

The deadline for submitting an RLE1 form to enable transferred entitlements to be used by the transferee during the 2007 scheme year, is 2 April 2007.

Applications to transfer entitlements received after this date and up to 2 April 2008 will be eligible for the 2008 scheme year only.

RLE1 forms can be requested from the RPA website at www.rpa.gov.uk or by contacting the Customer Service Centre on 0845 603 7777.

General information on transferring entitlements can be found in the SPS Handbook and Guidance for England 2006, the RLE1 Guidance Notes, and the RLE1 Guidance Notes Supplement, copies of which can also be found on the RPA website.

Further information about National Reserve entitlements is available on the RPA website within a Frequently Asked Questions release at www.rpa.gov.uk. Follow the links to the FAQ (> Single Payment Scheme > FAQ > National Reserve FAQ)

2007 SP5 application form

Former National Reserve entitlements that now have Normal status will not be pre-populated on your 2007 SP5 form. If you wish to activate them you will need to enter the details in Part E. You should enter the Entitlements Block ID (Column E1) as shown on your most recent 2005 Entitlements Statement. You should enter type NML (Column E3) and leave the Unit value in euros blank (Column E5). You should also leave the Use by Date blank. For column E7 you should take the information from your most recent 2005 Entitlements Statement. You should also complete column E8 by crossing the 'All' box if you want to activate all your entitlements or, alternatively, by specifying a number that you wish to activate. Please remember to declare enough eligible land in Part C to activate the newly reverted Normal entitlements.

Further general guidance about completing your SP5 form will be contained within the 2007 'Single Payment Scheme Handbook and Guidance for England 2007 Update' when available.

Yours faithfully

Rural Payments Agency
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Example

In the following example an applicant has National Reserve entitlements in 2005 but does not use them all in that scheme year.

Note; these calculations do not take modulation into account.

Total National Reserve award = €15,000.00

Total number of established entitlements in the non-SDA region (not including set-aside) = 75

Value of national reserve award per entitlement (€15,000 divided by 75) = €200.00

The **2005** value per English Reserve (Eng Res) entitlement:

2005 Non SDA flat rate (a)	€28.20
2005 historic reference amount (b)	€50.00
National Reserve award (c)	€200.00

2005 NR entitlement values (a + b + c = d) €278.20

The value of the National Reserve award per entitlement is greater than 20% of the total entitlement value, therefore the entitlement is an English Reserve entitlement.

In the example, 50 of the English Reserve entitlements were used in 2005 and 25 were not used. The status of the 25 non-used English Reserve entitlements therefore reverts to Normal for the 2006 scheme year and the value of the National Reserve top-up (€200.00) is given up.

The **2006** value of each formerly Eng Res (now normal) entitlement:

2006 Non SDA flat rate (e)	€45.92
(2006 reduction factor (f) 0.9362356601)*	
2006 historic component (b x f)=g	€46.81178

2006 normal entitlement values (e + g) €92.73178 (rounded to €92.73)

** The "reduction factor" is a factor applied to the 2005 historic element to enable the 2006 historic element to be calculated. See the Guidance for the 2006 SPS Entitlement Statement booklet for more information.*

The 50 English Reserve Entitlements which were used in 2005 retain their Eng Res status and the National Reserve top up.

The **2006** value of each English Reserve (Eng Res) Entitlement;

2006 Non SDA flat rate (e)	€45.92
2006 historic component (b)	€50.00
National Reserve award (c)	€200.00
(2006 reduction factor (f) 0.9362356601)*	

2006 Eng Res entitlement values (b + c) x (f) + e €279.97891 (rounded to €279.98)