

INTRODUCTION

Now the UK has left the EU, the Common Agricultural Policy (CAP) no longer applies and each of the devolved regions of the UK will set their own rules for farm policy going forward. In England this will see a period of radical change in support. Direct aid in the form of the Basic Payment Scheme (BPS) will be phased-out over the course of an 'Agricultural Transition' through to 2027. By 2028 there will be no direct (BPS) payments. They will be replaced by payments for 'public goods' – services that agriculture can provide to society that are not delivered by the market. The following sections give the details of the phase-out of the BPS as currently known. Also included are the proposals for the new Environmental Land Management (ELM) scheme and other funding streams which we expect to become available during the transition. *Defra are expected to launch a consultation in November; this will give more information on the Transition after which this Guide will be updated.*

DELINKING

During the Transition, payments will be 'delinked' from the requirement to occupy farmland each year;

- once support is delinked a farmer could double the size of their holding or stop farming completely and they would still get the same future stream of income (tapering-off to 2027)
- delinking cannot occur before the 2022 scheme year (and may be delayed longer)

LUMP SUM PAYMENTS

Once payments have been delinked, the future stream of income could be rolled-up into one single payment. This is a separate issue from delinking. Lump sum payments may not be introduced at all and may not be available to everybody. More information is expected in the consultation. The idea of a lump sum payment is that it could be used as a retirement sum or allow for investments to be made. If it is introduced, it is likely to be targeted at specific groups of farmers - for example, those over retirement age.

PHASE-OUT OF BPS

For 2021, the BPS will continue but the EFA and Crop Diversification Greening requirements have been abolished. Next year also marks the start of the Agricultural Transition Period with a reduction in payments which get progressively greater through to 2027 so by 2028 the BPS scheme will have ended.

The table below shows the percentage reductions to next year's payments. They work in bands, similar to income tax.

% Reduction in Direct Payments in 2021 – Source Defra	
Payment Bands	% Reduction
Up to £30,000	5%
£30,000 to £50,000	10%
£50,000 to £150,000	20%
£150,000 or above	25%

Deductions for the years 2022 onwards are not yet known, but are expected to be outlined in the Defra November consultation.

- a key issue is when the reference period will be, as this drives who gets the future stream of delinked income; this is expected in the November consultation
- rules are likely to be introduced to deal with business changes between the reference year and the point of delinking
- when delinking occurs, it is likely that BPS entitlements will disappear as there is no need for a link to land (*it therefore seems likely that entitlements will remain for the 2021 scheme year*)

HOW CAN ANDERSONS HELP?

Although the BPS is being phased-out, support for agricultural businesses is not stopping; in fact the total budget should remain the same until at least 2024. But the next decade will see a significant change in the support landscape. It will not be as 'simple' as claiming for the BPS and payment rates will depend on the level of involvement a business decides to undertake. At Andersons we are at the forefront of changes in policy and we also understand how real-world farming operates. We are here to help businesses navigate through the new policy and thrive in the post CAP landscape.

ENVIRONMENTAL LAND MANAGEMENT (ELM)

As direct payments (BPS) are phased out, they will be replaced by payments for 'public goods', this will be through the Environmental Land Management (ELM) scheme.

Many of the objectives are familiar from previous agri-environment schemes, but elements such as climate change, air quality and hazard protection come more to the fore.

ELM DESIGN

It is envisaged ELM will be based on a three-tier model;

- **Tier 1** – a broad (and shallow) offer available to all farms. Likely to have a menu of options and be managed online.
- **Tier 2** – more intensive management required. The focus will be on rewarding farmers for positive management such as biodiversity, flood management, carbon storage, landscape heritage etc. This will be the 'core' of ELM over the long-term.
- **Tier 3** – more complex change of land use, including afforestation and peatland restoration.

ELM TIMINGS

The ELM national Pilot Scheme is expected to open for Expressions of Interest (EOI) early in 2021 with applications commencing in April. Around 1,000 agreements are expected to be offered in the first tranche of Pilots, with two more tranches to follow. The Pilot EOI application should give some indication of what the full ELM will look like in areas such as options, management requirements and payment levels.

The national launch of ELM will not be until late 2024, however some aspects may not be available until 2027.

INTERIM SCHEMES

From 2022, schemes will be in place as 'prototypes' for the 3-tiers which can be used as stepping-stones for farm businesses to transition to the new way of support.

- **Sustainable Farming Incentive (SFI)** - new scheme, will be the prototype for Tier 1. Available from 2022, and should be a way for all farmers to recoup some of the BPS money which will be lost as we go through the Agricultural Transition, it is expected to cover areas that will be included in ELM, such as soil health and emissions, but which are not well supported under CS.
- **Countryside Stewardship** - the current scheme will be open in 2021 but will be simplified in 2022-2023 and will be the stepping-stone to Tier 2 of ELMs
- **Bespoke schemes** - open in 2022-23, which require more complex change of land use, including afforestation, peatland restoration etc. These would form the prototype for Tier 3.

OTHER SUPPORT

Most funding will be used by ELM once it is fully launched. But there will be other support streams for farming, especially in the early years of the Agricultural Transition. These are likely to be in the following areas;

- **Improving Productivity & Competitiveness** – possibly similar to the current Countryside Productivity Scheme
- **Future Farming Resilience Scheme** – being piloted now, will offer advice for farming businesses, especially to help with the loss of direct payments
- **Animal Welfare** – support for practices which go beyond the regulatory baseline. There is little detail on this at present.
- **Shared Prosperity Fund** – for rural socio-economic projects including grants for farm diversification (i.e. a replacement for LEADER and the Growth Fund).

For further information please visit our website

www.theandersonscentre.co.uk

Or contact a member of the team:

01664 503200

enquiries@theandersonscentre.co.uk

Old Bell House
2 Nottingham Street
Melton Mowbray
Leicestershire
LE13 1NW