

## 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 - known as the 'Agricultural Transition'. This leaflet summarises the changes. *It will be updated in the coming months as further information becomes available.*

## PHASE-OUT OF BPS

For 2021, the BPS will continue but this year 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 adjacent table shows the percentage reductions, announced by Defra, for the years 2021 to 2024. The reductions for 2025 to 2028 are not yet known. In the table we have included our predictions for the final years (based on a simple arithmetic progression).

The bands work like Income Tax, so all BPS claimants get the lower deductions on their first £30,000 of claim.

## THE AGRICULTURAL TRANSITION

Direct aid in the form of the Basic Payment Scheme (BPS) will be phased-out 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. This will be mainly through the new Environmental Land Management (ELM) scheme but there will also be other funding available.

Agricultural Transition (BPS Deductions) – source Defra				
Payment Band	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000 to £50,000	10%	25%	40%	55%
£50,000 to £150,000	20%	35%	50%	65%
£150,000 or above	25%	40%	55%	70%
<i>Estimated deductions</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>
Up to £30,000	65%	80%	95%	100%
£30,000 to £50,000	70%	85%	100%	100%
£50,000 to £150,000	80%	95%	100%	100%
£150,000 or above	85%	100%	100%	100%

## CHANGES TO BPS

From 2021, as well as reductions to the BPS payment, there will be other scheme changes;

- All 3 Greening requirements will be removed – Crop Diversification, Ecological Focus Areas and Permanent Pasture measures. The Greening payment will be added to the BPS entitlement payment
- The entitlement usage rule will be removed. From 2021 it will not be necessary to use all entitlements once in every 2 years. This is not retrospective
- The RPA will accept supporting documents and amendments to applications until 11<sup>th</sup> June, without applying reductions or penalties
- Cross Border applications will be removed
- The inspection process will be improved, so that before a visit a list of records to be inspected will be received
- Cross-compliance remains, but penalties for non-compliance will be more proportionate where possible.
- Applicants will have 8 weeks to apply for force majeure or exceptional circumstances (previously 15 days)

## LUMP SUM AND DELINKING

Defra will offer the option of a Lump Sum payment of future BPS monies - all future annual payments will be capitalised up into a single amount. However, this will only be offered as a 'retirement option' - details of the rules are awaited. The earliest the Lump Sum will be available is in 2022.

Delinking breaks the link between the BPS and the need to occupy agricultural land. Claimants would be granted a future right to support, based on a reference period - if the land they occupied changed then this would have no effect on payments. They could even give up farming completely and still receive their BPS payments through to 2027. *The idea is that this frees-up farmers to make decisions about land occupation without affecting their future support.* Delinking will not now happen until 2024 (it was originally intended for 2022).

When Delinking occurs then BPS entitlements will no longer be needed. Cross-compliance would also end. A consultation on the details of both Delinking and Lump Sum payments is expected soon.

## FUNDING

The UK Government has pledged that support to agriculture will remain at existing levels until 2024. As the BPS phases-down, funding is released for other schemes. This will largely be Environmental Land Management (ELM) but a number of other new programmes will be introduced. These are set out in the remainder of this leaflet.

## ENVIRONMENTAL LAND MANAGEMENT (ELM)

The 'flagship' of England's new agricultural policy will be the Environmental Land Management (ELM) scheme. This will put into practice the principle of 'public money for public goods' i.e. it will pay land managers to undertake actions that are not valued in the market, but are beneficial to society.

*A key point is that, even if payments under ELM are the same as those under BPS, the **profit** will be lower because farmers will be required to do something to get the payments.*

## ELM DESIGN

ELM is to have three components;

- The **Sustainable Farming Incentive** (SFI) - a broad (and shallow) offer that should be accessible to most farms
- **Local Nature Recovery** (LNR) scheme - requiring more positive management from farmers
- **Landscape Recovery** scheme - complex change of use over large areas such as afforestation, peat restoration, salt marsh recovery etc.

Each of these elements is explained in more detail in the sections that follow.

Under each component there will be annual (revenue) payments for land management practices, plus one-off capital grants for investment in equipment or works that support the objectives of the scheme. *It seems unlikely that there will be funded advice for those wanting to enter ELM.*

ELM will be launched in stages, but the main elements should be in place for a planned 'full' launch in 2024. *The eventual goal is to have 82,500 land managers in England participating in the scheme.*

Payment levels are not yet known. Under previous EU rules, payments were limited to 'Income Foregone'. This is no longer the case and it is expected that amounts could be more generous under ELM as a margin or incentive can be included. Whilst payments will have to be 'pitched' to make the scheme attractive to farmers, they are unlikely to be too generous as the Treasury will be looking for value for money.

Over time, new methods of payments such as reverse auctions or payments-by-results are likely to be introduced.

## THE REST OF THE UK

This leaflet covers the changes in England. Agricultural support is a devolved matter so each part of the UK will be running its own schemes. In fact, without the structure of the 'Common' Agricultural Policy there is likely to be increased divergence between the countries of the UK in their support policies.

## ELM OBJECTIVES

Many of the objectives of ELM are familiar from previous agri-environment schemes, but there are new elements such as climate change, air quality and hazard protection. *The wider scope of the scheme should mean more opportunities to enter for those businesses that have not found agri-environment schemes attractive in the past.*

The six objectives of ELMS are as follows;

- **Clean Air:** reducing ammonia and particulates
- **Clean & Plentiful Water:** limiting nitrogen and phosphate pollution, lowering sediments, ground and surface water protection
- **Thriving Plants and Wildlife:** habitats, species, protected sites
- **Hazard Protection:** flooding, coastal erosion, droughts
- **Beauty, Heritage & Engagement:** landscapes, cultural heritage, public access, education, health
- **Climate Change:** reducing greenhouse gas emissions, carbon capture, resilience to climate change

## COUNTRYSIDE STEWARDSHIP

Until ELM is fully launched in 2024, the Countryside Stewardship (CS) scheme will remain open to new applications. The last application window will be in 2023 for a 1<sup>st</sup> January 2024 start date. Existing HLS and CS agreements that are coming to an end can be rolled-over until ELM begins.

The RPA has stated 'no-one in a Countryside Stewardship agreement will be unfairly disadvantaged' as the transition to ELM takes place. Those who enter a CS agreement from 2021 onwards will be able to end their agreement, at agreed points, where they have secured a place in ELM.

There will be some changes to the CS for 2021 onwards. Inspections and compliance will be simplified. A new (£60,000) standalone Capital Grants offer will expand and replace the Hedgerows & Boundaries Grant Scheme to include measures which will address air quality (ammonia) and flooding. There are changes to the upland rough grazing options and a new Facilitation Fund will open. *These changes are likely to be the last significant ones to CS as attention is now focussed on ELM.*

## SUSTAINABLE FARMING INCENTIVE (SFI)

This will be the 'entry-level' component of ELM. It is intended to be a scheme that is relatively easy to get into and thus replaces (some) of farmers' BPS income. The scheme will focus on reducing the 'negative externalities' produced by land management, particularly around air, soil, and water pollution.

Actions will be grouped into packages, similar to the current Wildlife offers under CS. There will be different ambition levels -introductory, intermediate and advanced. The higher the level chosen, the greater the payment.

Applications and administration of the scheme is likely to be all carried-out online.

Applications to take part in pilots for the SFI will open in June 2021 with agreements starting in October. Parts of the SFI will be available from March 2022 - focusing on soils, IPM, and nutrient management. The 'SFI 2022' will be open to those in receipt of the BPS, including those with an existing CS agreement.

What is learnt in 2022 and 2023 will inform the full launch in 2024 when further elements are added (including boundaries and tree management). The aim is to expand the range of options on offer and make it available to a wider group of participants which could include smaller farms, horticulture and pig/poultry farms that do not currently receive BPS.

## LOCAL NATURE RECOVERY SCHEME

This component will require more intensive management from farmers. Payment will be made for actions that support local nature recovery and deliver local environmental outcomes. Collaboration between farmers will be encouraged. There may be competitive elements in this component. The focus will be on rewarding farmers for positive management such as biodiversity, flood management, carbon storage, landscape heritage etc. The name, 'Local Nature Recovery' clearly points to the importance being given to Local Nature Recovery Strategies that are to be introduced under the Environment Act.

The Pilots for the LNR are due to commence by the end of 2021. The main scheme will be launched in 2024.

## LANDSCAPE RECOVERY

This scheme aims to get groups of landowners to work together to deliver landscape and ecosystem recovery such as large-scale woodland planting, peatland restoration and coastal habitats (e.g. salt marshes). It is only likely to be relevant to a small number of farms who happen to be located in areas where the projects are occurring.

Ten projects will be funded in the period 2022-2024 to pilot the approaches to be used in the scheme.

## OTHER SUPPORT - CAPITAL GRANTS

ELM will be complimented by other programmes during the Agricultural Transition. A number of schemes will offer capital grants;

### Farming Investment Fund

This will build on the current Countryside Productivity Scheme. It will offer grants (likely to be 40%) for investment in items of equipment deemed to improve productivity. Like the CPS, there will be two tiers;

- **Farming Equipment and Technology Fund** - a fixed rate of grant for specified items with application online.
- **Farming Transformation Fund** - for high-value items or projects. A two stage process with an EOI and then full application.

The FIF is expected to open in rounds. The first is due in October 2021. The scheme will run until 2026.

### Slurry Investment Scheme

A new scheme to help farmers fund slurry storage for 6 months, plus covers. The scheme will open in 2022. Rates of grant and scheme rules are unknown.

## OTHER SUPPORT - SKILLS & TRAINING

Programmes will be made available to improve skills in the farming sector and provide advice to help businesses through the Agricultural Transition.

### Farming Resilience Scheme

This is due to open May/June 2021 and will operate until 2024. It will offer advice to farmers through various mechanisms, possibly including one-to-one consultancy and farm business reviews. More details are expected in March.

### Institute for Agriculture and Horticulture

A new professional body for farming is to be set up to drive standards and promote learning.

### Key Performance Indicators

The AHDB will draw up KPIs for each of the main farming enterprises to allow for easier benchmarking.

### Research and Development

The Agricultural Transition will see increased levels of R & D spending on farming under a new Innovation and Research programme.

## OTHER SUPPORT - MISC

Various other programmes will be put in place;

### Farming in Protected Landscapes

This scheme will operate in both National Parks and also Areas of Outstanding Natural Beauty (AONBs) - i.e. not just upland areas. There will be both farm-level projects including environmental payments and business support, and projects at community scale. More details are promised in early 2021.

### Animal Welfare

Details of this funding stream are still being worked on. However, the 'Animal Health and Welfare Pathway' will be designed during the course of 2021. It will offer support for disease eradication programmes, capital grants to farmers for measures to increase animal welfare above the statutory baseline, and a new payment-by-results scheme (to be piloted in 2023).

### New Entrants

The scheme is still being designed, but it looks like funding is more likely to be for things such as matching services rather than direct grants to new entrants themselves. It is planned to run from 2022 to 2024.

### Farm Diversification

Under the plans there is no direct replacement for Rural Development grants such as LEADER or the Growth Fund that supported diversification projects. There may be grants under the general UK Shared Prosperity Fund, but details of this have not yet been published.

## WOODLAND

Existing woodland grants will continue to be available through Countryside Stewardship. This includes;

- The Woodland Management Planning Grant
- Woodland Creation Grant
- Woodland Tree Health Grant

Applications to these can be made all year round.

Improvements are being made for 2021 onwards to woodland options which will see bracken control and stone wall options being brought into Woodland Management. In addition Woodland Creation and Woodland Management Grants will be combined into one application.

In the future, it is expected that new woodland options will be included in ELM.

## HOW CAN ANDERSONS HELP?

Although the BPS is being phased-out, support for agricultural businesses is not stopping as the total budget is remaining the same until at least 2024. But the next decade will see a significant change in the support landscape as we transition to ELM. 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.

*For further information please visit our website*

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