

Environment, Food and Rural Affairs Committee

Oral evidence: Environmental Land Management Schemes, HC 445

[Tuesday 16 June 2020](#)

Ordered by the House of Commons to be published on 16 June 2020.

Watch the meeting

Members present: Neil Parish (Chair); Ian Byrne; Geraint Davies; Rosie Duffield; Barry Gardiner; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray; Julian Sturdy; Derek Thomas.

Questions 1 - 61

Witnesses

I: Tamara Finkelstein, Permanent Secretary, Defra; David Kennedy, Director-General, Food, Farming and Biosecurity, Defra.



Examination of witnesses

Witnesses: Tamara Finkelstein and David Kennedy.

Q1 **Chair:** Welcome to the EFRA Committee. We are carrying on taking evidence on Covid-19 and today we have Tamara and David Kennedy. Tamara, would you like to introduce yourself for the record and then David, please?

Tamara Finkelstein: Yes, Tamara Finkelstein, Permanent Secretary of the Department for Environment, Food and Rural Affairs.

David Kennedy: I am David Kennedy, director-general of food, farming and biosecurity at Defra.

Q2 **Chair:** Thank you very much for joining us. I am going to ask the first question. Since you appeared before the Committee last July to give an update on ELMS—the Environmental Land Management Scheme—what progress have you made, given all the disruption we have seen?

Tamara Finkelstein: We have managed to make progress since we last met with you. There have been challenges along the way. Obviously, there has been political change, an election and, obviously, most recently, Covid-19. As we just talked about then, we were looking to put out much more detailed information, which we did in February with a detailed policy update including clarity around BPS reductions and an ELM consultation document. We kicked off a very active conversation on the consultation.

We had to pause that at the beginning of lockdown and the Covid crisis, but we hope to reopen that in the next few weeks. We are powering ahead with some of the decisions, particularly around our operational delivery approach and so on, to be able to be ready for 2021. We have made progress. There have been challenges along the way, including in the way in which we engage stakeholders, but tests and trials, which are giving us important information, have, in the main, been able to continue.

David Kennedy: I will just add to that very quickly. That was a very good summary from Tamara. I cannot remember whether we talked about the three-tier approach last time. If we did, that was very new at that time. There will be a tier 1, which is sustainable farming that can happen on all farms. There is a tier 2, which is farmers usually will be working together to address local challenges, and tier 3, which is landscape-scale national initiatives. We have developed that.

We have moved forward with the scheme design beyond that—for example, how tier 1 will work. We have made decisions on operational delivery. Last time, we would have talked about the system, for example, which the NAO had raised; it had said, “You cannot be serious about building a new system for April 2021”. The answer is that we are not going to build a new system for then. We have made a decision to use and improve the existing SITI Agri system. We have allocated tasks



HOUSE OF COMMONS

across the ALBs, so the RPA, the Environment Agency and Natural England, for example. We have really stepped up engagement since we last spoke to you and we have made good progress with the tests and trials. There is still a lot to do. Let us be honest about that. Particularly, as Tamara says, we want to put out the details of the pilot. For example, what are the actions and the outcomes that we will pay for and what is the payments methodology? We have given the principle there on the payments. We want to be different from income forgone of Countryside Stewardship, but, beyond saying that we want it to be sufficiently attractive to bring in all farmers, we have not given the details. We have made a lot of progress. We have a lot to do.

Q3 Chair: It is interesting when you talk about the stewardship schemes at the moment because these tier 1, 2 and 3 seem to have a remarkable ring about them as though they are very similar to what is happening at the moment. First of all, can I congratulate you on not creating a new computer system? That is a really good idea. Do not reinvent the wheel if you do not need to. Is it totally different or is it taking the system you have and tweaking the stewardship scheme? Where are you?

David Kennedy: I think it is somewhere between those. What I said to the team is Countryside Stewardship has lots of problems with the many rules that do not add to outcomes, which burden us and burden farmers and landowners. There are also some good things in there. From an environmental perspective, it delivers good outcomes. I have said to the team, "Let us take the best of Countryside Stewardship as our starting point and let us build from there". It is more than a tweak. Why is it different? It is different because it is an outcome focus, because of evidence requirements, because of how we will approach inspections and because of the market for advisers that we will create. We are not going to have fixed application windows. We are not going to have annual claims and processes that follow for payments. We will have monthly payments. There will be all sorts of differences, but that will build on what is really good in Countryside Stewardship.

Q4 Chair: You are talking about monthly payments, are you?

David Kennedy: That is what we would like to do, so a monthly payment that would be on a deemed basis. You would not claim on a monthly basis. We would pay you monthly. The assumption would be that you are delivering what you have signed up to in your agreement with us and then we would have to have checks and balances to try to make sure that that was the case as well.

Q5 Chair: Is that not a little bit ambitious? We have had a lot of trouble in the past paying on an annual basis on time. I am rather intrigued on this monthly basis. I think the farmers would probably welcome it with open arms, but I am very intrigued as to your confidence in delivering it on a monthly basis.



HOUSE OF COMMONS

David Kennedy: If you think, why have we had problems? The first thing is—and we have solved this now—is it was not automated. We did not use the SITI Agri system to make these payments; we do. We have made a load of progress. The delivery cycle has gone from two years down to one year, so, for example, we are pretty much coming to an end now of processing the 2019 claims, which were made in May last year, so that is just over a year as opposed to two years. There are a lot of improvements there.

If you are asking why we have problems, it is because of the design of the CS scheme and the pedantic nature. For example, if there is a four-decimal-place change in something to do with the land, we have to amend the agreement and we have ended up having to do tens of thousands of agreement amendments every year. That is what slows us down. If we have a completely different process with different rules with flexibilities, then we will not have those problems that we have with Countryside Stewardship, and we are designing it that way. When I say we are leaving behind the worst of CS, that is what we are leaving behind. It is all that bureaucracy. It is the rules that are a pain for us and a pain for the farmers.

Tamara Finkelstein: Just to assure you, that deliverability is at the heart of how we are designing things. We are absolutely clear that we have to ensure that we design something that is deliverable; the most important thing is getting the money out on time to people. That is a really core strand to the way that we are thinking about it and the way in which we very much responded to the NAO concerns about delivering a system that is going ahead of our design. We are meshing the two and working very carefully together around system design and the IT requirements.

David Kennedy: Just to add very quickly, when we decide we want to make a payment—the bridging payments, for example—we can process those in a couple of weeks. It does not take us a year to do that. We would not want to just pay people without any checks and balances because we would worry then about fraud. The challenge for us is to get that right balance between the checks that we need and getting the money out there. We do not have the right balance in Countryside Stewardship and we are stuck with that because we cannot change it from an EU perspective. We can design ELM differently.

Q6 **Chair:** The great beauty of Select Committees is that we take evidence and we have it down now in writing from your own mouths, so we shall be happy to hold you to account later on. I am sure you will deliver, but if you do not we will be able to play your words back to you. We have them there on record.

I have one final question, and this is one to do with national parks and AONBs. What work is being done to ensure that national parks and AONBs have a central place in the new ELMS as recommended by the independent landscapes review? How will this be reflected in the national



HOUSE OF COMMONS

pilots? Is it a bit of a complicated question? I do not know if you can give me a fairly short answer.

David Kennedy: It is a short answer, actually. They are central to our plans. They are key partners for us and we fully intend that they will be part of the pilots. They are also involved in the tests and trials, so they are very much part of our thinking.

Chair: We will talk probably a little more about the tests and trials and the pilots as we go through our questions, so thank you very much for those answers and we look forward to you delivering all of these payments on a monthly basis in the future.

David Kennedy: Chair, I am not promising that in the first phase of the pilot we will do monthly payments. The scheme design, as we evolve it, will be to monthly payments.

Q7 **Chair:** You have now put yourself into a nice little trap. When do you actually think that you are going to be in a place to actually deliver monthly payments? Can you give me a year?

David Kennedy: I can tell you the work we are going on this. We have a team made up of DDTS, the ELM programme team and the RPA. One of the big questions I have asked them is whether we can design in monthly payments to the pilot from 2021. They have not given me the answer to that yet. It will be great if we can do it in 2021. If it is not then, it will be in the next phase of the pilot, so 2022, for example.

Chair: Just before I move on to Sheryll, at the beginning I did not refer members to my declaration of interest. I receive, through a partnership in a farm, a basic farm payment, so I need to declare that interest; I have now done so.

Q8 **Mrs Murray:** If I can move on to tests and trials, what are the key objectives of the tests and trials, and are you on track to meet them? I do not know which one of you wants to take that first.

Tamara Finkelstein: I will give it a start and David will further pick up. The tests and trials are looking at a range of different building blocks that we are looking for them to test. We spoke about this the last time we came. We have had over 300 proposals and 59 of them are contracted. We took the advice and mood of the Committee last time of seeing whether more of them could be farmer-led. They all involve farmers, but more of them are farmer-led in the second round that we have. They are looking at issues like collaboration, advice and how to do spatial prioritisation in an effective way. We are really pleased with the sort of learning we are beginning to get from them, and that will continue in parallel with the pilot over the next years as well.

We were a bit concerned that some of these would be delayed by Covid-19, but, in the vast majority of cases, they are managing to continue the work that they are doing. We are learning a huge amount from them about how you do effective collaboration and the sort of way



HOUSE OF COMMONS

that advice works most effectively, testing of really good apps to assess the natural capital in a landscape and build that up from different farmers' land and so on. We do feel that we are on track to learn a great deal from them, but they will continue.

David Kennedy: Just to explain the relationship between tests and trials and the pilot, there are different parts of this scheme design that we want to work through. That is what the tests and trials do. They break the end-to-end process apart and they focus on different parts of it, and then the pilot puts this all together and says, "Okay, let us test the end-to-end scheme".

Tamara referred to building blocks. For example, there are tests and trials about land management plans. How do you design a land management plan? The role of advice and guidance is a really important part of this, so we have tests and trials there. On payments, what are the different payment methodologies? If we are not going to have income forgone, what are we going to have? There are tests and trials there. Spatial prioritisation, which I have said for tier 2, is about identifying what the local challenges are and how we can then respond to them. I have also said collaboration is tier 2. How do you get groups of farmers working together on flood mitigation, for example, or biodiversity promotion? That gives you a sense of some of the focus areas of those 59 projects with 3,000 farmers and land managers that Tamara said.

Q9 **Mrs Murray:** Tamara, you alluded to Covid-19. What impact has it had on the tests and trials? Can you be a little bit more specific on that?

Tamara Finkelstein: Yes. For a number of them, it has had to change the way in which they were doing the work that they were doing. Some had a pause. We have done a bit of an assessment, and two-thirds of them were not being impacted at all. On a number of them, it caused some delay. I was talking to one of the test and trial areas yesterday. They were supposed to start in April and then did not appoint somebody. They were going to appoint somebody in April, but actually they have just appointed somebody, who is starting in a couple of weeks' time. People are picking up different ways, as we all are, of doing the same sort of conversations that they need to. We have been pleasantly surprised, when we have asked, that people are managing to continue, to get the information and to continue with the process.

Q10 **Mrs Murray:** That is good to hear. Finally, is there enough time to fully absorb the lessons from the tests and trials before embarking on the national pilots?

Tamara Finkelstein: The whole transition is going to be a continual learning process. We have built it in such a way that we can continue to learn. As David says, we will be kicking off the national pilot next year while continuing with tests and trials. We will get to 2024 and we will be rolling out ELM. We will continue to be learning from what we pick up. It is really important. We cannot do a set of tests and trials, wait two years



HOUSE OF COMMONS

and then start to do it while we absorb it. We have designed them to enable us to learn and then to embed it in what we are rolling out in terms of the pilot and so on. That is part of the design of the whole transition.

David Kennedy: The timescales are tight, so I can see why you ask the question. If we are learning now, if we want to open a window in April next year for applications—and prior to that we will have to publish the scheme design and the guidance so that farmers can prepare—is there enough time? I think the answer is yes because, as Tamara says, two-thirds of those tests and trials are proceeding on the original timetable anyway. The delays for the other third are relatively small, so only several months.

It is not the case that we have to finish the tests and trials, then we do the scheme design and then we lock it down. It is much more iterative than that, and the pilot is just what it says on the tin: it is a pilot. That design will evolve. Taking all of those into account, while it is tight, we will get a scheme design in the initial phase that picks up the learning from the tests and trials, but that will be the initial phase. It will evolve a lot through the pilot, I hope, because the pilot will teach us how to do things better.

Q11 **Chair:** With the tests and trials and the pilot, farmers are particularly worried that the whole thing has been already created and that you are not really going to take an awful lot of notice of the tests and trials and the pilot. Do I have your reassurance that that is not the case?

Tamara Finkelstein: You absolutely have. We are really learning important things from the tests and trials already. It is not an absolute fixed design. Even once the pilot is going, we need to learn and be able to iterate, while getting the balance of clarity and notice. That is the challenge. We want to learn and iterate, and we need to give people clarity with good time, so that they can plan. It is that challenge that we are trying to balance, but we are already learning a great deal from the tests and trials.

David Kennedy: Tamara, the feedback we get from the participants in the tests and trials is that this is true co-creation. You have spoken to them; I have spoken to them. We get very positive feedback. The tests and trials involve a relatively small number of farmers compared to the 85,000 who get BPS, so the next phase for us, and the challenge, is to get that wider engagement and the grassroots engagement.

We are very focused on that at the moment, so that we can really convey the sense that, first, there is something in it for you. A lot of farmers are asking, “Is this going to be for me? They are taking my direct payments away, but can I do something that will, at least in part, give me those payments back for delivering environmental services?” That is one thing. Secondly, let us work together to get a final design by 2024. We have



HOUSE OF COMMONS

built in that three years so we can innovate and get the best scheme design possible.

One of the problems with CS is that we locked the scheme design in; we signed up to the EU and, once you have signed up, you cannot change it, so we have been stuck with it. We do not want that.

Q12 **Chair:** You are going to be much more flexible in the future. Is that right?

David Kennedy: Yes.

Chair: I look forward to it. I look forward to you being flexible.

Tamara Finkelstein: The intention is to build that in even as we go into 2021 on our Countryside Stewardship. We are looking for ways to simplify and improve it during that period, such as warning letters ahead of penalties. Where we can introduce flexibilities, we are seeking to do that and learning as we go.

Q13 **Geraint Davies:** Following on from that, David, given that in the first phrase of the trial and testing the National Audit Office found that something like 80% of the take-up was from conservation and environmental groups, as opposed to farmers, how confident are you that these trials and tests will cover the full operations of farming and land management?

David Kennedy: A lot of the 59 projects we have at the moment are led by land managers, but with wide participation by farmers. We have been very careful about that. Within the 59, some are farmer-led, and then we have another 13 projects in development. Many of those are farmer-led as well. For us, it has been really important to get farmer participation, whether as lead or as part of a project. The pilots, particularly the tier 1 pilots, are farmers who will be in the vanguard. Tier 1 is for sustainable farming and we are looking for 1,000 farmers.

Q14 **Chair:** How many of those trials are farmer-led at the moment?

David Kennedy: Seven out of the 59 are farmer-led. Within the 13, we can give you the number after this discussion but I know it is a significant proportion.

Chair: I would like that in writing, please.

Tamara Finkelstein: Of the 17 that are in development, seven are farmer-led. A greater proportion of the later rounds are farmer-led, partly because of feedback from this Committee. They are all fully engaged farmers. I was talking to Jenny Phelps from the Farming and Wildlife Advisory Group. The work she is doing is purely with farmers. She is working with them on a surveying tool to build their land management plan. Some of this is co-ordinated, because that is where the capacity has been initially to kick this off, but they all involve farmers. I am sure we are getting that reach.



Q15 Geraint Davies: What will Environmental Land Management look like, in the sense that it will mix in sustainable agriculture, local environmental outcomes and landscape-scale outcomes, like net zero? Can you give us an idea of what it will look like? I assume the farmers will be more interested in sustainable agriculture and farming outputs than the wider interests, and maybe the conservation and environmental groups will be more interested in the localised and wider environmental outcomes, but what will Environmental Land Management look like?

Tamara Finkelstein: There are farmers who will want to be engaged in any number of the tiers we are setting out. We hope that tier 1 in particular will ensure there are things that all farmers might want to be a part of and will be very straightforward to engage with, in terms of very straightforward things around soil health or hedgerows. For the other tiers, we know there are farmers very interested in being engaged in those wider catchment and landscape propositions. Alongside Environmental Land Management, we are also developing productivity grants, to enable people to invest in more productive farming alongside that.

David Kennedy: Let us give you a sense of what you might do in each tier. Tier 1 is sustainable farming. We want this to be attractive to all BPS beneficiaries, in principle, so 85,000 farmers in England. The kinds of things we would pay farmers for that drive environmental outcomes include soil health, for example. We would pay for direct drilling, cover crops or nitrogen-fixing crops. We could pay for crop rotations with grass as part of that rotation. We could pay for manure management.

If you think about margins, we could pay for not just having a margin, but planting wild flowers in those margins. If you think about hedgerows, it would be managing those hedgerows to promote biodiversity. If you think about grasslands, there is a whole bunch of things you can do there. We could pay for planting of clover, liming or to reduce fertiliser. We could look at stocking density on the uplands. That gives you a sense of the things individual farmers might do.

Groups of farmers would then, in tier 2, address local challenges. There would be a local assessment. It would say, for example, "Biodiversity is a problem. Pollination is a problem in this particular region. Here is a set of things you can do, collectively, as farmers". You might have corridors that promote biodiversity. We would pay a premium for farmers to address those local challenges and work together.

For tier 3, that could be the very large-scale forests that we need. It could be the big peatland restorations project that we need, to meet the net zero carbon target.

Q16 Geraint Davies: I am concerned about the overall picture in terms of aggregate food supply and the incentives for this. It strikes me that the CAP payments will be phased down over quite a long transition period, and farmers will not get extra income from this new scheme until 2024.



That will be environmentally driven, as opposed to through food production. I understand food security is not one of the purposes, in England at least—it is in Wales—but environmental sustainability is. If the focus of new money from 2024 will be on the environment when, after all, CAP was 30% environment already, and between now and 2024 the money from CAP is being phased down, what reassurances can you provide that food production in fact will not go down, but will go up, at a time when we might get a very difficult or no-deal Brexit?

David Kennedy: We will have a very ambitious productivity package from 2021, through 2022, 2023 and beyond. That is designed specifically to boost food production. The flipside of productivity is that you will boost food production.

Secondly, we are looking to get more and more farmers involved in agri-environment agreements before 2024. That will be an extra source of revenue that contributes to the business models of farms. We want to move farms in that direction ahead of 2024, so we would be looking for good enrolment in the 2022 round of CS agreements on those two counts.

Thirdly, tier 1 in particular, but tier 2 as well, is not about land-use change. They are about sustainable farming. They are about giving additional income streams to farmers to produce food, but in a more sustainable way. Food security is central to our thinking, particularly after Covid-19, but it always has been.

Q17 **Geraint Davies:** Tamara, on the same question, basically, if I was a farmer and I was told the amount of money I get from CAP is going to decrease from now until 2024, and in 2024 we will have the new environmental scheme and that will be environment as opposed to a purpose of food production, why should I produce more food?

Tamara Finkelstein: A lot of the feedback we had from farmers is that they are not looking for BPS to support them to produce food. They would like to be in a position where they can produce food and be paid for that, effectively. The productivity grants are to enable them to do that. I think that is the core of the answer to your question. As David says, the agri-environment schemes are often about, alongside food production, being able to manage your land in a way that is sustainable and supports the environment. From the engagement we have, that is the direction in which farmers wish to go.

We have done quite a lot of work around food security, in the run-up to the possibility of no deal, and now as part of Covid-19. We are ensuring that we are in quite a good position to understand the flows, look at intelligence and see where there are challenges around food security. We are not deeply concerned about it at this point, but we have mechanisms by which we can keep it under review.

Q18 **Geraint Davies:** The British Retail Consortium gave evidence to us that,



if we have a difficult Brexit, given that 70% of our fresh vegetables and fruit came from the EU in January, we may have a big problem. Would it not be better if we redefined the scheme, not just for environmental and social outcomes, but also for food production and food security?

Tamara Finkelstein: The British Retail Consortium's concern is really around an immediate shock to the system, in terms of the movement of goods across the short straits, which was one of the things we were looking at in the context of no deal, rather than a long-term issue around food security, as you might be implying, by way of the long-term incentives for producing food. As part of the Agriculture Bill, we have committed to a review of our food security, so we keep on top of ensuring that we feel secure about our food security.

Q19 **Geraint Davies:** If we faced tariffs, we would not have the incentives to boost domestic food production. That is what I am getting at. Is that not true?

Tamara Finkelstein: I am not sure we are looking at a place of boosting domestic food production, but I do not think there is going to be a disincentive for our farmers to produce food. That is not the message they are giving us. They are looking for a system that enables them to produce food, supports them in improvements in productivity and enables them to do farming sustainably. That is what the ELM system will do.

Q20 **Dr Hudson:** David, it was really helpful that you gave us some quick examples about how some of the tier mechanisms will be recognised, in terms of how land managers and farmers are working. As a vet, I am very positive that the Agriculture Bill recognises high animal health and welfare as a public good that can be recognised. Could you quickly give us some examples through the tier system of how high animal health and welfare might be recognised in the payment system?

David Kennedy: Animal health and welfare are absolute priorities in the context of the farming reform. We have said in the February document that there are two things we want to do. There are animal health action plans, where we are working with industry to eradicate endemic disease. There will be a set of incentives there and we are working through what those incentives need to be. Is it grants? Is it something that allows industry to co-ordinate and move forward? Is it money for AHDB or whatever? How does it interface with the Livestock Information Programme? We will have these industry action plans. They will start in 2022. They will be funded and will be a major part of the programme.

There are two things on animal welfare. There are grants we can give for things like crates for pigs. That is part of the programmes and we are identifying the set of things that we will give grants for. The question is over timing: will that be 2021 or 2022? Then we want to define welfare standards that go above and beyond the baseline, and we will make payments for achieving those standards. Again, there are questions. What is the appropriate delivery mechanism? Do we fold that into ELM?



HOUSE OF COMMONS

Do we have it as a separate scheme? My animal welfare team is thinking through those things at the moment.

I hope that reassures you that both of those are priorities. We have high-level plans for things that will happen in 2022. I am anxious that we get on with the very detailed design, planning and engagement to make that happen on that timeframe.

Dr Hudson: That is very helpful. It is good to know that there are high-level plans, but also that farmers will be recognised at a local frontline level for looking after the health and welfare status of their animals.

David Kennedy: From a vet perspective, by the way, the gateway to improving animal health will be a vet visit, a bit like a whole farm visit by the environmental adviser. They will say, "Okay, you have livestock. Are you doing all these things that constitute best practice? If you are not, here is the support on offer that will allow you to move forward".

Going back to the previous point, animal health is all about productivity. The healthier your animals, the more productive they are, and you are producing more food. That is the consequence of being more productive. There is a win-win here for animal health, welfare, productivity and food security. We just need to work out the details of how we unlock that.

Q21 **Chair:** On Neil's question, if you take Johne's disease, which is a wasting disease in cattle, not only is it an animal welfare issue but it is also an economic issue. David, surely you should consider helping with payments towards something like that. Is that the sort of thing you are going to be looking at?

David Kennedy: We will want to eradicate all the disease it is possible to eradicate, and to reduce if it is not possible to eradicate. To be frank, we need to work through the details of which diseases we are targeting, on which timeframes and what support mechanisms are in place. There is more detail to come, but I absolutely agree with you.

Q22 **Rosie Duffield:** Hello to both witnesses. Why was there so little detail in your February 2020 consultation document covering areas such as what the Government will pay for, the payment levels and the penalty mechanisms? David in particular has given us loads more detail during this session. Tamara mentioned at the beginning of the session that it needed to be reopened again, as it was presumably stopped because of coronavirus. Will these things, especially given the questions we have asked you, now be factored in and spelt out in more detail?

Tamara Finkelstein: The February documents gave a lot more detail than we had previously. That was one of the conversations we had last time we came to the Committee. We opened the consultation and have been getting really helpful input from that. We will reopen it in the next few weeks, so we get more input by the end of July.



HOUSE OF COMMONS

We recognise that more detail is needed. More detail is needed on exactly what 2021 is going to look like, including exactly what the pilot and so on will look like. We think we will be ready to give that in September. We also want to map out much more of a roadmap, particularly in the next few years, up to 2024 and beyond. We will give the outline of that roadmap in September and, later in the autumn, start to fill that out even more.

We are very conscious that people are waiting for further detail and information. We are confident that we can do that, so that we are ready and people can start applying for the pilot, productivity grants and simplified Countryside Stewardship when we get to April 2021. We are very conscious of that. We have had feedback that we need to see that detail, so that is the plan for September and then for the autumn information.

David Kennedy: You are right; it is a fair question. When I talk with people and explain the kinds of thing we will pay for and the approach to payment, which will be the costs plus margin that makes it attractive to join, they go, "Ah, right, I can see now". It raises a question: why did we not publish this in February? This is all work in progress. I wanted us to get to a point where we had a decent evidence base of things that are really good for the environment and we had looked at all the different methodologies. You are equally right that it is now urgent for us to get this out there, so people really know what we are thinking about.

As Tamara says, September is the time for that, so you can hold our feet to the fire. I think, if we can do it in September, that is far enough ahead in terms of lead time, for a window that opens in April, for the 1,000 farmers in the pilot to start preparing their farm-level plans. We are okay now, as long as we do this just after the summer.

Q23 **Chair:** On the penalties system, at the moment, you seem to inspect a percentage of farms, whether they are guilty or not, really. Surely, in the future, we can devise a risk-based system where you home in on those that really are not doing the operation properly. David, what ideas do you have for having a smarter regime on checking whether farmers and land managers are complying with the new rules?

David Kennedy: You are absolutely right. There is a fixed number of farms, in terms of percentage, that we have to look at under the EU schemes. It is not risk-based. Actually, they are looking at some flexibilities in the context of the Covid-19 response and we are thinking through how we use those, but we have to get to a completely different place in ELM.

We are looking for it to be risk-based. We are looking at all the technologies. How can you do this off-farm, for example, through remote inspections? It has to be an outcome focus and, at the moment, it is not. It is totally pedantic. "You said you were going to do a ditch that was this



HOUSE OF COMMONS

many metres long to four decimal places. Have you done that? If not, we will fine you". It cannot be that anymore.

Also, how can we use other means of saying, "You have committed to do this; you have done it"? That is where the accredited advisers come in. They will go round the farms and sign off. There are all sorts of different things. Frankly, that is one of the areas where we can improve the most on the CAP schemes. It is that inspection, which at the moment is a right pain. I keep saying it is a pain for us and a pain for farmers, and that is true. We have to get away from it.

Tamara Finkelstein: In the conversation we opened in February, the input as to the things that would give us a more proportionate system of regulation and the things that create these issues is really helpful, so we can learn from what people find most difficult.

Chair: Thank you, Tamara. It is good to know that you are going to go on much more of a risk basis when it comes to inspection. I am very keen on that idea.

Q24 **Derek Thomas:** I represent St Ives, the far south-west constituency, where farmers will be delighted to hear what David has just said. We are also encouraged by the fact that Government have made it clear that the money paid out at the moment will be maintained right into ELM and other schemes. Can Tamara and David give some indication of how that transition can work? You have a lot of people under single payment now moving across to ELM and other schemes. How do you foresee that happening over the years available? How can you maintain the whole of the budget during that process?

David Kennedy: There are a number of questions we need to answer around the path as you get to 2024, which takes us right through this Parliament. We are making progress among ourselves in answering them and will put this out in the autumn. First, how quickly are we going to reduce direct payments and what are we going to get to by 2024? Is it a straight line? Is it a bit more front-ended than that? Secondly, what are we going to spend the money on? I have said that the candidates to spend the money are productivity—and we will have an ambitious productivity offer—animal health and welfare, and then increasing participation in agri-environment schemes.

We want a transition to ELM rollout in 2024. We do not want to say, "There are 1,000 farmers in 2021 and there will be 85,000 in 2024, with nothing in between". The question we are working through is how, as you free money up from BPS, you get widespread participation in agri-environment, almost as a transition into that ELM rollout.

That is to tell you the questions we are working through. I am not answering them for you now, because it is premature to do that. After the summer and as we get into the autumn, we know it is really important for us to say, "Here is the path from 2022 to 2024. This is what



HOUSE OF COMMONS

will happen to direct payments and this is what the money will be spent on". I agree it is important that we tell you. I cannot tell you today, but we will be able to say very soon and fill that gap.

Tamara Finkelstein: Just to emphasise, we have the commitment of guaranteeing that current annual budget for the period of the Parliament, so that enables us to do a sensible transition. It is one of the reasons that we want to get on and start in 2021, while recognising that certain delays mean people do not yet have all the information they need to have. They will have that in September. That commitment on the annual budget is there and very important to managing this transition.

Q25 **Julian Sturdy:** Before I start, as the Chair has already done, I want to draw members to my declaration of interests, because I get payments through the RPA. Drawing further on the previous question on the transition, what work are you doing with those farmers who are already running Countryside Stewardship schemes and how will they transition into ELMS as they come off their stewardship schemes? Obviously, some just signed five-year stewardship contracts, for example.

Secondly, what discussions are you having with those farmers on how the stewardship scheme is currently working, as you are designing the ELMS programme?

Tamara Finkelstein: The transition plan is such that we want to have more people taking on the simplified Countryside Stewardship so they are in agri-environment schemes. The commitment is that they will be able to transfer into ELM, so we are going to manage that transition very carefully. They have very much been part of the conversation we have been having, in part through representative groups such as the NFU, but also talking to them more directly in a range of mechanisms, seminars and so on. David, do you want to fill in more about the detail of the transition plan?

David Kennedy: It is a really important question. For example, the first Countryside Stewardship agreements were signed in 2016. They were five years and they come to an end this year. There are 1,500, mid-tier. We have written to all of those farmers and asked, "Would you like to extend the agreement?" Our working assumption is that we will pretty much roll all of those over into 2021. There is then a question: do we want to get those farmers on to new CS agreements and then into ELM, or keep rolling them over for several years, and then they will become ELM agreements?

It is the same with Environmental Stewardship. For HLS, we have been rolling those agreements over for a while now and we will continue to roll them over. We could make them into Countryside Stewardship agreements, but there is a lot of administration to do that. That is the key thing here.



This is the equation we are trying to balance: preserve the environmental outcomes we have already secured under Environment Stewardship and Countryside Stewardship, and do that with the least administrative cost, as we move towards ELM. The intention, as Tamara says, is that everybody with an agri-environment agreement will transfer that into an ELM agreement if they want to. I would suggest that they will want to, because the payment rates will be more generous for ELM than they are for Countryside Stewardship. That is how we are thinking about this.

Q26 Julian Sturdy: Will those who have signed five-year contracts be able to transfer before the end of their stewardship contracts, if it works, or will they have to see out the five-year stewardship contracts? That might be a disincentive for people signing those. That is why I am asking the question.

David Kennedy: We have said publicly—I think it was announced at the Oxford Farming Conference in January—that you can convert before the agreement has expired. We have made that commitment.

Q27 Chair: Before we leave this question, David, I cannot expect you to give exact figures, but if you look at it logically we are transferring money from the basic farm payment in 2022, 2023 and 2024. You could have got rid of over half the basic farm payment before your pilot is completely finished and the new schemes are up and running. If you are not careful, farmers are going to lose a lot of their payments before you have the system up and running. Are you looking at a siphon that will be very slow at the beginning and much faster at the end? I do not want you to quote exact figures, but it cannot be just losing so much percentage each year, because it is not going to work.

David Kennedy: No. We do not have final nailed-down answers anyway to the trajectory. You and farmers can take reassurance from the manifesto commitment. The pot of money is fixed. We are not going to free up money unless we can spend it well within the future farming programme. That is the test for us. Can we spend it on agri-environment schemes, on productivity, on animal health or on animal welfare? If we cannot, it would raise questions: why are you freeing this money up? What are you going to do with it that is useful, from a value-for-money perspective, an environmental perspective and a farmer perspective?

Those are the principals we are using in working out what that trajectory is. We are not ready to share that trajectory now. We have not agreed what it will be, but we are working towards that and should be able to address that question very soon. We have to, because everybody is asking the same question you have asked: what happens to all this money between 2021 and 2024?

Q28 Chair: Are you going to build in some flexibility? You do not know: these schemes may run very successfully; they may run at the speed you think, but, if they do not, you need flexibility. Have you considered some flexibility on what the level of basic farm payment is in those interim



years?

David Kennedy: It is a good question and you are right. We are not going to know the exact level of BPS payments until after the event, however much we cut them by. That is just the nature of BPS, how many people apply and what they apply for. There is flexibility within the CAP framework. If you do not spend in one year, under the RDPE, you can roll that forward to the next year. Given a high degree of uncertainty, flexibility, with bounds, is eminently sensible. We are discussing among ourselves and with the Treasury whether we can build those flexibilities in.

Chair: I was probably leading you as a witness then, but thank you very much for that answer.

Q29 **Dr Hudson:** David, you have touched on the pilots, the provisional numbers and things. I want to see how that is going to work for the farmers. How many farmers exactly are you aiming to participate at the start of the pilot? Are you confident, and what gives you that confidence if you are, that the number of farmers can be reached for your pilot?

David Kennedy: As we said last time we spoke with you, we are looking at 1,000 for the first phase of the pilot; this is tier 1. Am I confident that we can get 1,000? Yes, absolutely. If you think of how many we have in tests and trials, we have 3,000. I am actually worried that we will have excess demand here. Loads of farmers are raring to go and keen to be involved. We are designing this in a way to be attractive, with sufficient lead time for preparation. If anything, there will be excess demand.

This is a question I have asked my team. If there is excess demand, would we go for more than 1,000, or try to find a way of scoring the proposals, for example? There is a scoring methodology for Countryside Stewardship. We could have a similar approach. There is a lot of interest at the moment in ELM, relative to the 1,000 we are targeting for the first phase.

Q30 **Dr Hudson:** You will be looking at proposals in that process. Are you confident, and how confident are you, that farmers will have enough information and time to decide whether to formally join the pilot and prepare their plans to come into that?

David Kennedy: This comes back to my earlier answer. If we can get the details out in September and say, "Here are the kinds of things we are going to pay for; here is the approach to payment and what is in it for you if you can deliver these things", there is sufficient lead time for farmers to work with agronomists, for example. There is already a market for agronomists of people who work on Countryside Stewardship.

There is sufficient time for an application window that opens in April next year. It does not close in April; it will be open for several months ahead of an October start. I think the timings work. There is not loads of time



HOUSE OF COMMONS

and we have to stick to our part of the bargain, which is that we set out more detail after the summer. If we do that, I think we will be okay.

Q31 **Dr Hudson:** You do not think it will be an overly onerous application process for busy farmers to come into. You think it will be doable and user-friendly.

David Kennedy: I hope so. Those are the design principles. The whole point of this is to make it much more straightforward to apply and then get paid for doing the right thing than the current situation.

One other thing to bear in mind is that there will be people coming out of Countryside Stewardship in 2021 because they had 2017 agreements. They may well be experienced in agri-environment and interested in being part of the pilot as well. That, again, gives me confidence. There are plenty of farmers out there who want to be part of this and are equipped to do it as well.

Tamara Finkelstein: One reason we kept our ambition around the 1,000 was in order to make it doable. We knew it was going to be tight, in terms of when we could give the detailed information. We will build up over the years of the pilot and continue, alongside that, as we discussed before, a simplified Countryside Stewardship. We think that will get us to the right place in terms of participation in these schemes ahead of the rollout in 2024. I think we have hit the right level of ambition. We hope so.

Q32 **Robbie Moore:** On the same topic, this is to do with numbers of participants in the scheme going forward. From my understanding, there was a significant drop in the number of participants from ELS to Countryside Stewardship. What do you envisage the general uptake being, going forward to ELMS, for overall participation once the scheme is rolled out? Are you envisaging it being back to the ELS type of numbers? Where are you hoping it gets to?

David Kennedy: I am not going to say I want us to recreate ELS, but we want participation rates at and above ELS. As I have already said, the aspiration is that everybody who gets BPS at the moment, so all 85,000 beneficiaries in England, would want to be part of our tier 1 scheme and, over time, be part of tier 2 as well. That is the aspiration. In order to do that, we have to have a scheme that works for farmers, that they can deliver, that is easy to use and that pays them sufficiently to make it attractive. That is the challenge we are trying to address with our scheme design.

Q33 **Barry Gardiner:** Good afternoon. First, perhaps to the Perm Sec, when you withdrew the original 2018 policy statement about the future of food, farming and the environment, you published your policy and progress update in February. That was really a bit of a silent U-turn, was it not? In 2018, *Health and Harmony* had been all about moving from area-based payments, which subsidise production, to payment for public goods. The



update says that the Agriculture Bill will now place a requirement on the Secretary of State to have regard to the need to encourage production of food when framing financial assistance schemes. In brackets, it says, "As well as its production in an environmentally sustainable way".

That is a very different emphasis. Whereas the basic payment scheme provided a significant profit element, if that is not there in the new payments, in ELM, without that high level of subsidy in the payments, farmers are not going to engage in ELM on anything but marginal land, are they? Will this new ELM really deliver for the environment, so that food production today does not come at the expense of food production tomorrow, or have we gone back to an old subsidy of production system, just with a different environment tack on?

To Mr Kennedy, your job is to create this scheme so that farmers and land managers deliver the right environmental benefits in the right place for the right public money. So far, they still do not have a clear idea of what you want, where you want it or how you are going to pay for it. Can you take us into the specifics of how this scheme is going to be different from others? The Chair and others have talked about flexibility. Do you have the ability to monitor and deliver this new scheme in a way that will enforce the standards and impose the right penalties on farmers who are not meeting them?

Tamara Finkelstein: We feel that the scheme we are developing is absolutely about how you put into practice public money for public goods. It will withdraw basic payments, which have distorted the way in which farming has happened, and use that money in order to underpin the 25-year environment plan, pay for those sorts of products and support sustainable farming. That is what it is designed to do. We have more to do, to work out exactly what the payments look like to make it attractive and different payment mechanisms, so we are doing more on that front.

From the wider response we have had from organisations like the NFU and so on, we think this is exactly the direction of travel that farmers are looking for, as well as others. The documents we put out in February feel very much like an evolution of the system we are trying to develop. It will continue to evolve as we learn more from tests and trials, and so on, so we can develop something deliverable that underpins the 25-year environment plan and has those measures that people can access. We are trying to do something that large numbers of people can access, particular at the lower tier, to have the sort of sustainable farming that is completely critical for reaching net zero and tackling climate change.

Q34 **Barry Gardiner:** You are saying that there is going to have to be a high level of subsidy in the tier 1 payments. That subsidy will be used by farmers in the same way that, going right back to GAEC, they had to have that as part of their productivity incentive.

Tamara Finkelstein: Alongside ELM, the productivity grant scheme is exactly in the space of ensuring that farmers have access to the kind of grants that mean they can invest in the things that drive that level of



productivity, to enable productive farming and, alongside that, the kind of incentives that enable them to do sustainable farming. We still have more to do around exactly what the payment mechanisms look like, how they fit with WTO rules and so on. There is more to do there. We are looking at quite innovative mechanisms on some of the bigger landscape-type opportunities, but we expect to build a scheme that is very attractive to farmers and other landowners.

Q35 Barry Gardiner: This is hardly the revolution we were promised of public money only for public goods. I think what we have heard is that there is still going to be that self-same built-in subsidy for production, which will go to farmers in the same way as under the old scheme. There may be a different, and I hope much better, element for environment, but it is not the transformation we were promised, is it?

Tamara Finkelstein: I do not recognise that description. It is quite interesting because, for many farmers, the feedback is that, by 2021, it feels like a lot of change in a difficult period. It is regarded as a very significant change. It is a very fundamental change for farmers and is absolutely underpinned by driving environment goods. All the tests and trial are about testing those things out, so I do not recognise that.

It is certainly true that we are looking to build something, over a long transition period, that is deliverable and attractive, and allows us to bring in large numbers of farmers as part of agri-environment schemes, so we can drive that sustainable farming, because that is critical. It looks like quite a revolutionary change for us to do and to deliver. We want something deliverable as well.

David Kennedy: We are trying to go from a situation where there are 85,000 BPS beneficiaries and 30,000 in agri-environmental agreements. Those are Environmental Stewardship, HLS, Countryside Stewardship, mid-tier and high-tier. We have to make the agri-environment agreements more attractive. Payments is one way you can do it, but it is not the only way.

Why is it that people have a problem with Countryside Stewardship in particular? It is partly the payment timing. It takes you two years to get paid, or it did before we made all these improvements. That was the main complaint about the whole thing. Secondly, you can say that the payment rates are very low based on income forgone, which is in the design of CAP. That is true and it means that Countryside Stewardship is only attractive on marginal land. That does not take you to saying, "Let us recreate the current system, where the average income transfer to farmers is £26,000 under BPS".

We are not designing a scheme that is a replacement for BPS in terms of income transfer. You can find something that adds a margin to make it attractive on top of income forgone, but does not go anywhere near the levels of income transfer in BPS. The other thing is the bureaucracy and the hoops you have to jump through to get an agreement or make a



claim. That puts a lot of people off applying and we are going to address that. We have talked about the pedantic way we have to do inspections at the moment. Again, that really puts people off and we can address it.

Q36 Barry Gardiner: These are all the niggles of the scheme, but the essence of what you are supposed to be trying to create is improvement for the environment, as part of the Government's 25-year plan, so we leave the environment in a better state. Let us hear you quantify it for us. When you talk about soil quality and soil erosion, what is the improvement you are aiming to achieve through the scheme? Quantify it. When you talk about water quality, water catchment and retention, quantify it. If you are spending all this public money, tell me what it is going to deliver and give me a metric.

At the moment, I do not hear this from you. I am hearing from you: "It is going to be much simpler for farmers to get their money. We are going to pay them month by month. We are going to have a flexible system of accountability for it. We are going to have the assessors going in there". If you were in the DWP, this is not the way it would be going. Give me details about the improvement you believe this public money will achieve for the environment.

David Kennedy: I can tell you that we know, from existing agri-environment schemes, that the benefit-cost ratio is about 4:1, from the kinds of things I have described to you: soil health, field margins, hedgerows. It is a very good return, if you look across different alternatives for public expenditure. We will have a set of KPIs. Monitoring will be absolutely key to the scheme. I am not going to give you the set of KPIs now, because it is under development, but we will put it out in the course of saying, "Here is the scheme design. Here is what it is designed to achieve, not just improved air quality, but here is how we will measure improved air quality. Here is how the things we pay for will improve air quality".

That is our outcomes framework. It does have KPIs. It will be published in due course. It is very much part of our thinking. We are not just working at the highest level of saying, "Would it not be great if we could improve air quality and water quality?" We are well beyond that. I cannot answer your questions in the level of detail you want today, but we will be able to do that very shortly.

Q37 Barry Gardiner: Will it be actions-based? I hear what you say about a 4:1 return; I accept that on an individual basis. Will you be saying, "We simply want farmers to deliver these actions?" Will you be able to say, "On the whole, the amount of peatbog restored will be X", giving overall figures for the environment as a whole, rather than just saying, "We want this farmer to do this on their land"?

David Kennedy: We want the focus to be on outcomes, in a measureable way. If we cannot tell a story that answers your question in the next months and years, we cannot justify spending the public money.



HOUSE OF COMMONS

You probably know that it is very difficult to measure some of these outcomes, particularly in the near term. Would you link payments to a measureable improvement in soil carbon versus some of the things we know will drive an improvement in soil carbon? That is a really interesting question, and one I have been debating at length with our chief scientist. The degree of uncertainty in some of these metrics is very high. It is hard to link payment to them in a very mechanistic way.

I do not want to say, "All we will do is pay for actions that we think will produce outcomes. We are never going to measure the outcomes, aggregate them or justify the spend". Outcomes is the focus of this. Value for money is the focus of it. We have to find that balance where it is attractive to farmers who want to do the right thing and who get a decent revenue. It is not the same as the income transfer you get in BPS at the moment. It will be less, so you are going to have to drive up your productivity and your animal health as well.

This will be part of a business model, but I totally agree with you. If we cannot do that outcomes framework with the metrics and show we have got value for money, we cannot justify what we are doing.

Q38 **Chair:** You talk about putting these details out there. When do you expect, David, to have the details out there for people to look at?

David Kennedy: We have said we want to give the details of our outcomes framework, if we call it that, in September, where we say, "Here is a set of things that we will be looking to pay for, because they are good value for money".

Q39 **Chair:** Thank you. That was clear enough. We will wait for it to come in September then. We look forward to that.

Last year, you told us that, by the time of the rollout in 2024, you were relying on there being 70,000 accredited advisers. Are we on track to have this number of advisers? Are you expecting to have at least one adviser, almost, to every farmer? There are 85,000 claims at the moment, so are your schemes going to be so complicated that we will need an adviser to be able to sign up to them? It is rather a loaded question, but where are we with these advisers? How do you see this all working?

David Kennedy: For the pilot, where we are going to have 1,000 farmers, we will rely on existing advice mechanisms. We want these to be straightforward and the guidance so good that you could do this without having an adviser. If you want an adviser, there are loads of them around, because they work on Countryside Stewardship agreements. To follow your lead, you will not need one adviser per farm who will be fully occupied designing a farm-level plan.

As we get to 2024, we want a market for accredited advisers where we can rely on them to sign off that the plan has delivered. That is still what we are working towards. We are designing the approach to getting that



HOUSE OF COMMONS

accreditation. What training would you want as an accredited adviser before you can do this? I think a lot of the existing agronomists, land managers and whatever would want to become accredited and then be part of this market. I think it would also grow. I do not want to give the example, really, of accredited energy efficiency people in the context of the green deal, because that was not great in the end, but we did get a really good set of advisers who were ready if the demand was there.

Q40 Chair: When you say “sign off the agreement”, are you saying that these accredited advisers will actually sign off the agreement, rather than Natural England, Defra, the RPA or whoever? Is this what you see in the future?

David Kennedy: It does not have to relate to ELM; it could relate to animal welfare. We want an accredited adviser who can say, “This person signed up to do a set of things. I have walked around their farm. I have inspected it. They have done it”. Then we would pay on that basis. We would not only have that within our audit framework. You need more checks and balances, but we would give a primary role to the accredited advisers. That is the ambition for the scheme. To have a market there and competition in this sector driving both cost reductions and a really good-quality service is what we think is going to deliver for us here.

Q41 Chair: You are talking to these professionals at the moment, land agents, agronomists and all these people, to see how this accreditation will work, are you?

David Kennedy: We are talking with them generally, because these are the people who have the interface with the farmers and landowners. We want to tell our story to them, and they can tell it to the farmers. They can multiply it, because they each work with a whole number of farmers. We are talking with them and the relevant bodies about how to move forward with accreditation, yes.

Q42 Chair: It is a really good idea, but it is interesting, exactly how it is going to work on the ground. It is quite a fundamental change to what farmers have been used to. I think it is a really welcome change, but can you deliver it without the Department getting its sticky little fingers back on the regulations?

Tamara Finkelstein: We are using tests and trials to test different mechanisms and learning quite a lot from that as to what works. What level of facilitation-type advice and support for groups of farmers to get together works? That is both individual advisers and group advice. We are testing different types, in the tests and trials, which will feed into what we do.

Q43 Chair: David, to put it slightly differently, if you have this army of advisers who are signing off these schemes, how will you, as the RPA, Defra and Natural England, do the checks and balances?



HOUSE OF COMMONS

David Kennedy: It goes back to what you said before. You would want a risk-based way using modern technologies, including data analytics, that will focus us on a very a small number of agreements that we would want to do some kind of inspection of. That is probably not the kind of inspection we have to do now.

Chair: That sounds very interesting. I look forward to it working in practice.

Q44 **Ian Byrne:** I will direct the opening question to David. Where are you with the IT system for ELMS?

David Kennedy: It is a really good question and it was the focus of the NAO report if we go back just over a year now. We have made a formal decision that we will use but improve the current SITI Agri system, which is the CAP delivery system for the first phase of the ELM pilot. While we may want to build a new system, or parts of a new system, as the enduring delivery approach for this scheme, for the very initial phase we will be using the existing system.

There are a couple of reasons why. One is because it is fit for purpose for the pilot. We have tested that. We are going to strip it back, so we are not going to have all the bureaucratic rules that we use for Countryside Stewardship in using it. The delivery risk of trying to build a new portal or different parts of the system was too high.

There is an important question, which my teams are working through now. Beyond the first phase and the near term, you could build a new portal. You could build a new rules engine, which is the main bit of the CAP system. You could build a new mapping system. You could build a new payments engine. We may or may not do each of those. We could do all of them and that is a live question that we are working through as we speak. It will probably be months, not weeks, before we have an answer, because that is a really detailed piece of work about a multimillion-pound investment if we move to a new system.

Q45 **Ian Byrne:** You stated, "I will be awake at night worrying until I know what the operational delivery approach is for the pilot in 2021". Are you now having a good night's sleep with the decisions made?

David Kennedy: If we did not have Covid-19, possibly. As it is, I wake up at 4 am dreaming or half-dreaming about food supply and getting food to the vulnerable. Increasingly, I am spending more and more of my time on future farming. There is a lot to do. I do not want to be complacent. I also think it is a really exciting area to work in, because we can do something that is transformational and is a win-win for the environment and the farmers. That is my absolute focus.

Q46 **Ian Byrne:** Tamara, how will you test the IT system during its pilot?

Tamara Finkelstein: By taking the kind of approach that David says, we can ensure we have a system that is fit for purpose. We do not have



some big launch of some big new IT system. We both feel that the approach we are taking is most likely to be successful. In terms of our capability and capacity to make the sorts of changes we will need to make to elements of the existing system, I have a lot more confidence because of the work we did in the run up to no deal on new systems. There is that ability to work very much hand in glove with a programme that is looking to deliver and our IT people and capability. I have a lot more confidence in our ability to work in that kind of iterative way. I do not think there is one big test point. It is very much iterative.

Q47 Ian Byrne: David, would you like to add anything to that regarding the testing?

David Kennedy: We have done some extensive testing to get to this point of saying that we will use the existing system. We did the testing of what the alternatives were, so we could have gone for building a new portal. We also did the testing of "Will this system work for the purposes that we want?" which is not the same as delivering Countryside Stewardship. We have a degree of confidence but, as Tamara says, we have learned so much since the CAP experience a few years ago, through EU exit and an agile approach to IT project delivery, which we will embed as we go forward here. We have a good team on it, which is what means I can sleep at night. I have total confidence now in the leadership of the team, the team sitting underneath and the RPA team, who know this IT system inside out.

I look at all these things together when I am saying "How confident am I?" I am confident we can do the pilot at the level of 1,000. I really want to know how we are going to scale up and what system we will use to deliver for 70,000, 80,000 or 85,000. That is the big question.

Q48 Ian Byrne: Do you have the confidence of the farmers in this as well? Are you taking them with you? You were mentioning speaking to the grassroots before. What feedback are you getting from the farmers on this decision?

David Kennedy: I do not think that the problem the farmers have with the CAP system is the IT delivery of it. If we look at BPS applications where those have just come in, 90% of those were online. That is telling me that farmers are using the online systems. They feel comfortable with them. By the way, that is a huge increase from previous years. The system is not the problem; it is the rules that the system operates. If you can change the rules, you can improve how this whole thing feels to farmers, and then it becomes more attractive. I am confident in that respect.

Q49 Ian Byrne: This is my last question. It is a problem that bedevils not just this Committee but many other Committees. It is broadband coverage. We are seeing it in so many communities. How will farmers with limited or no broadband be able to access ELM?



Tamara Finkelstein: David is going to need to tell you as to where they have done some specific work on this. I know that we are taking account and ensuring it is accessible to people, whether or not they can access it online. We certainly currently have mechanisms by which people can use phone and so on to be able to access and talk to the RPA, but I am afraid I am going to have to go to David on the detail on this.

David Kennedy: It is a really good point. We are trying to address the broadband deficit through the rural growth programme, under CAP, and that will continue in the context of the prosperity fund as well. We need to address that. In the meantime, for those who do not have the online access, there will be alternative routes for those people. We do not want to exclude people because they do not have online access. The BPS experience is telling us that the vast majority not only have online access but are using it and are using it successfully right now.

Q50 **Ian Byrne:** You are confident that no one will be excluded.

David Kennedy: Our ambition is that nobody will be excluded. That is the basis we will work on. We have to get the detailed scheme design in that respect, as other respects as well. You have the ambition and the principle. Nobody should be excluded, absolutely.

Q51 **Chair:** David, before we leave this, is everybody going to have to be online to make an application for payment? Do not forget, we got ourselves into a little bit of trouble with some of the BPS claims over this. Where are you on that one?

David Kennedy: To bring out my previous answer, our ambition is that this is open to everybody. Not everybody has online access, so we will need to find a solution to that issue. If you do not have online access, how can you be part of this scheme? It should not be a barrier to entry. As I say, things have changed in the last few years. Most farmers are online and they are using online routes to connect with the current scheme, so we have a really good platform to build on.

Chair: That is a fair point.

Q52 **Robbie Moore:** Before I kick off with my question, can I refer everyone to my register of Members' interests? My question is to do with regulation. How are you going to balance your aims for lighter-touch regulation while ensuring you get what you pay for through ELM?

David Kennedy: The regulatory baseline is one important aspect before we get to agri-environment, so the stuff we enforce at the moment through cross-compliance. That is a set of things in legislation but the enforcement mechanism is cross-compliance and reductions to your BPS payment. There, we want to, on the one hand, be a bit more flexible. In deciding if you have met the requirements in legislation, the EU schemes are too pedantic. The second thing is we want to be more proportionate in terms of any penalties. As Tamara said earlier, we will be looking at warning letters first and then penalties, which are possibly at lower



levels, while still being strong enough to incentivise you to comply with the legislation.

On the agri-environment schemes, I will give you an example of what we are doing with Countryside Stewardship. At the moment, I have mentioned that, if there is a change at the level of four decimal places to something in a field, you have to have an agreement amendment. If you do not deliver a ditch to four decimal places, you will not get paid for it under Countryside Stewardship. Those are the kinds of things we can change.

With the ditch example, you would say, "What is the ditch for?" It is to provide drainage for this field. Is it fulfilling that purpose? If it is, we will pay you for it. If it was not quite as deep or as long as you said it was going to be, that does not matter. Those are the kinds of things we are looking at, within cross-compliance and any successor to that but also agri-environment and CS. We are not waiting until ELM to change all of these things, but CS and ELM.

Tamara Finkelstein: There is a certain tension in terms of ensuring public money is put to the right use. The NAO report and this Committee asked us to consider some of the risks around fraud. We have built quite a lot of expertise into the programme to ensure that, as we are developing a more appropriate and proportionate approach, which we are absolutely committed to doing, we do that while being aware of what the mechanisms we have put in place to avoid fraud are, what the new digital technologies that you can use are and so on. We have appointed some expertise as director and are using a semi-independent board to look at fraud issues. We have very much stitched this into the programme, as to how you get that balance between a much more proportionate regulation approach and avoiding fraud.

Q53 **Robbie Moore:** To pick up on some of the points that David made there, I know that a lot of farmers find it extremely frustrating when they are having to map and register all their fields to four decimal places. Then they find out when they are doing their BPS form the following year that the field has been mapped by photographic imagery, they have found the field has changed and everything goes wrong and gets delayed. Also, following on from that, there is the way some of the Countryside Stewardship schemes and the HLS schemes that are still in place are currently managed, where there has been amalgamation of those individuals through the RPA as well as Natural England. Natural England advisory officers seem to have less of a say and everything has to go through the RPA. That is causing an extra frustration.

Following on from that, have you determined what resources you will need to implement the ELM scheme successfully? How much is that going to cost to monitor and enforce the scheme so it is actually workable and practically deliverable to the guys on the ground that are going to have to be delivering the schemes?



David Kennedy: You get the odd example—we should not exaggerate this—where there is a bit of tension relating to a particular agreement between Natural England and RPA. I know that Paul Caldwell and Marian Spain are working very closely on getting a totally joined-up approach there. That is what we want to carry into ELM. We will have Natural England, RPA, the Environment Agency and the Forestry Commission working on that. They will have different roles. RPA's comparative advantage is operational delivery. That is what it will focus on. Natural England's is environment expertise and that is what it will focus on, whether it is with regard to the set of things we pay for, the guidance, or advising some of the tier 2 and 3 projects.

We have worked out a resource requirement for the first phase, so for the pilot. We will have a better understanding through the pilot of what kind of resource we will need in an ongoing sense. The pilot will reveal to us what kinds of resources we need. It goes back to the earlier point. We have to be able to monitor what we are getting from this scheme, in terms of environment outcomes, in a way that we do not for Countryside Stewardship and Environmental Stewardship. We need to step up in this respect.

Q54 **Robbie Moore:** Could you comment on how much it is likely to cost to monitor and enforce the scheme? Are you able to pick up on that?

David Kennedy: I have resources in place that will be able to monitor the pilot. Because the pilot is relatively small-scale, at 1,000 farmers in the first phase, you do not need a lot of resource there. We are designing that monitoring framework but resource is not going to be prohibitive. As you then scale that up to 85,000, if that was how many we had enrolled in tier 1 for example, we cannot say now what resource we would need. One of the things we learn in the pilot is what a streamlined monitoring approach that gives you the information at the least resource to deliver that is. It is an open question. It is central to the pilots. We will have the answer as we do the pilots about what it is we need when we roll the scheme out.

Tamara Finkelstein: To some extent, it is rebalancing how we use the resource we have into the most useful activity that focuses on outcomes. By having a risk-based approach, we want to rebalance how we use our resource effectively. We will ensure that we have the right resources in place. It is really about rebalancing.

David Kennedy: To finish off, ideally we will want accredited advisers playing as much of this role as possible, so that we do not have to ramp up resources in our ALBs. Accredited advisers who go round the farm and check the things have been done and the outcomes delivered are very well placed to be able to report on those outcomes in a way we can aggregate. The question is if you can get a format that makes this all very simple for the advisers to do the inputs and then for us to aggregate and say, "This is the overall impact we get from the scheme". That is the challenge for us.



Q55 **Robbie Moore:** Regarding cost of monitoring and enforcing the scheme, I assume the assumption is that it will cost less to the Department than what it is actually costing to enforce HLS, agri-environmental and Countryside Stewardship schemes and the BPS to the Department at the moment. I assume that is a given.

David Kennedy: The cost is far too high at the moment. That is not a reflection on RPA. RPA has done everything it can to streamline the processes. That is why you see the improved delivery. We are hampered because of the rules, which imply all of these costs, because you have to enforce the rules. We are looking to design a system that does not have all those rules. It has only what is necessary to deliver the outcome. It is fair to say a lot of those rules do not contribute to outcomes at the moment. That is what we are looking to address. If we can do it, resource per outcome achieved will be lower. You are absolutely right. It will be a lot lower, not just lower.

Robbie Moore: I agree with you on that one.

Q56 **Chair:** The final question is that, even before coronavirus, Covid-19 and any ramifications of the trade deal or not as we leave the EU, farmers were very much reliant on the basic farm payment. Unfortunately, over half the farms would struggle without the basic farm payments. Have you been looking into what effect withdrawing the basic farm payment, reducing the direct payments, will have on farms? Have you done any work on that? How much do you think the farmers will be able to replace the direct farm payment income with your new ELM schemes?

David Kennedy: We have done a lot of thinking about this. It is something I have personally been heavily involved in because I do not want to create a situation where farmers cannot survive and we have huge problems in the industry. That is why we ended up with a seven-year transition rather than, say, a three-year transition, because we had done all this analysis of how reliant farms are on direct payments. We published it all in the evidence compendium. I am an analyst by background; I would say it is a great read. Not everyone would agree with me, but it is something I am really proud of. For anyone who has not had a look at that, I would encourage you to do so, if you like analysis. We have done a lot of work on that.

If we go back to what we said before, we are freeing up money from an envelope that has held constant over time. That tells you that, as we reallocate, that is what it is. It is reallocating. It is not taking away. This is going to stay within the system. We may and we will ask farmers to do more to get the money, but they will be able to do that because productivity will go up, for example. That combination of productivity and getting paid for doing the right thing for the environment, we think and our analysis says, gives a business models that is viable for the vast majority of farms that currently exist.



Inevitably, when you have big change in an industry, there will be some restructuring. We are thinking about how we can make that as painless as possible. We will have more to say about that, I hope, in the next months. We are not intending that this is a fundamental exit of all the farms at the moment, because there is a business model that works with the world we are going into. That is what we want to embed.

Q57 Chair: Farmers will have to adapt to the new system. We accept that. Are you confident that most farmers who want to adapt to the new system will be able to and hopefully maintain their businesses?

David Kennedy: That is what all the evidence suggests, yes. I will give you two examples. There are productivity distributions. If you take a particular kind of farming, whether it is lowlands livestock or uplands, there are huge differentials in productivity, which is defined as the ratio of outputs to inputs. That says that, with the right support, with grants, knowledge sharing and benchmarking—all these things are proven to work—a lot of farms can improve the bottom line very significantly and produce more food than they do now, which is great. That is very much a part of our programme. They will be able to get paid for delivering environmental outcomes.

To go back, it will not be that you get a £25,000 income transfer on average, as you do at the moment. You will get an amount of money and be expected to deliver a set of things for it. You will be more strongly incentivised than you are under Countryside Stewardship. All the evidence says that, if you want to adapt, there is scope for you to do that and you will survive in the new world. There may be significant change involved in adapting, given the performance of quite a few farms in the country. We have some of the best farms in the world in this country, but not everybody is at that level. That is the challenge. That is why we are so focused on productivity.

Q58 Chair: Many farms in the country are family-based. They work on different models of financing. That is a challenge, as is the age profile of farmers. Have you given that some consideration as well? Many farmers are getting older and perhaps slightly less able to adapt.

David Kennedy: I am really excited by the Prince's Countryside Fund Farm Resilience Programme, which I am sure you know about. The results from that are very significant with what are termed harder-to-reach farmers, often older, not connected to the internet, not going on the website of AHDB. Even then, you get really significant improvements. We want to scale up very significantly in that area. There are many old farmers who may choose, over the next 10 years, to retire rather than carry on, and that is fine. We are thinking through how we can support that retirement in a way that is dignified, rather than force it. I do not have an answer to give you there, but it is a really important question. We are thinking through what the answer is.

Q59 Chair: If you could work out a scheme where some of the older farmers



could leave with dignity, that would be quite good. We will talk about that another day.

Before we leave this session, which has been a very good one, perhaps I will put this first to Tamara. It is a slightly wider question. It is over Covid-19, the pandemic, and how the rural recovery is going to happen. To what extent can Defra lead that recovery in the rural areas? In the whole country, every area has been hit, and so has the rural area, especially because of tourism and others. Food, farming and tourism are so intricately linked. I am sorry to throw that ball at you, Tamara, but would you like to take a stab at that one, please?

Tamara Finkelstein: Looking ahead to what the recovery looks like has been an important part of our work, engaging with other Government Departments as well. Commitment around a green recovery is helpful and there is the impact that could have on the rural economy. There are a number of elements. One of the very immediate Covid responses is obviously some of the work around things that are particularly important to the rural economy, including around hospitality, tourism and so on and when that might be able to open, so we have been engaging in that.

Longer term, it is questions about the sorts of things will be important in terms of jobs in the future. We are very much engaging on that with the Treasury as to what a green recovery looks like and where investment takes place. We are very much playing the rural economy into what levelling up looks like. Our rural and coastal areas are very much part of the levelling-up agenda. There are a range of ways in which we are engaging.

David Kennedy: You have summarised it perfectly, Tamara. I do not have anything to add there, apart from under CAP we have the rural growth and LEADER programme. That has a load of projects this year. We are going to have another round of projects after the one that is currently running. That is a really important part of the current and future approach to farming and the countryside as well.

Q60 **Chair:** David, you talked about the LEADER programme. How do you see that being funded? Is it through the growth fund? Where is the money going to come from? I know lots of people are asking this. The right noises are coming, but where is the money coming from? That is what we want to know.

David Kennedy: There is a prosperity fund. We will pick up these activities. The question of where the funding for the prosperity fund is going to come from is an open question that we are thinking through with MHCLG and Treasury. Within that constant pot of CAP money, there is a line that is rural growth. Potentially, there is some money available, with a discussion about the precise balance of where the funding comes from.

Q61 **Chair:** Finally, Tamara, I forwarded you some information from the regional NFU in the south-west, which I thought was a good report, along with the LEPs on rural recovery. Being quite parochial, it will be quite



HOUSE OF COMMONS

interesting. I do not know if you have had a chance to look at that. There are some really quite good ideas on how Defra, the farming community, tourism and hospitality can all work together. I do not know if you have had a chance to look at that yet.

Tamara Finkelstein: I have not, but that sounds really helpful. It is such a live conversation in terms of what can help. Our role, in terms of ensuring that an understanding of the rural economy and what drives that is part of the broader conversation on recovery, is very important. I will have a look at that. Thank you.

Chair: Tamara and David, thank you very much. It has been a really interesting session. It will be very interesting for farmers and land managers to look at this session, because there has been quite a lot of detail coming in now as to how these new schemes might work. People are really interested in that, and so are the environmental groups. It has really been a very good session. I thank all the members for their very good questions. We have kept roughly to time this afternoon.