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for Environment
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Rt Hon Mr Alistair Carmichael MP
Chair, Environment, Food and Rural Affairs Committee
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Dear Alistair,

Thank you for inviting me to appear before the Environment, Food and Rural Affairs Committee in November to discuss the work of department, and thank you for your follow up letter of 2 December.

The attached note addresses the questions raised in your letter, additional information asked for during the session, and several points that we were unable to discuss on the day.

I look forward to continuing to work collaboratively with the committee.

Yours sincerely,

RT HON STEVE REED OBE MP

Defra Response to the Questions from the Chair of the EFRA Committee

January 2025

Impact of the Budget on the agricultural sector

- *The assessments produced for the impact of changes to those taxes on UK farms and farmers, in both the owner-occupier and tenanted sectors.*
- *A breakdown of Agricultural Property Relief (APR) and Business Property Relief (BPR) claims by farm type, and specifically the numbers of hobby farmers, smallholders, part owners, large farms, tenant farmers and landlords making such claims in the Government assessments.*
- *The Government's definition of an 'active' farmer, and conversely of a 'non-active' farmer, in both the owner-occupier and tenanted sectors.*

The government's commitment to our farmers remains steadfast. It is why we have committed £5 billion to the farming budget over two years – more money than ever for sustainable food production and nature's recovery.

Depending on people's individual circumstances, up to £3 million can be passed on free of inheritance tax. Anything beyond that will be taxed at 20%, rather than the usual 40% normal rate of inheritance tax. This tax can be paid interest-free in instalments over 10 years, rather than immediately.

It should also be noted that where transfers to individuals are made more than 7 years before death, they will continue to fall outside the scope of inheritance tax.

The latest figures show that the top 7% of claims (the largest 117 claims) account for 40% of the total value of agricultural property relief. This costs the taxpayer £219 million. The top 2% of claims (37 claims) account for 22% of agricultural property relief, costing £119 million.

At Autumn Budget, the government published summary data¹. Further information² has also been published, including a further letter to the Treasury Committee³, which includes a breakdown of Agricultural Property Relief (APR) and Business Property Relief (BPR) by size of estate. This also shows His Majesty's Revenue and Customs (HMRC) projections for the number of estates where tax is liable and details about the distribution of claims.

We do not have a formal definition of active or inactive farmer.

¹ <https://www.gov.uk/government/publications/agricultural-property-relief-and-businessproperty-relief-reforms/summary-of-reforms-to-agricultural-property-relief-andbusiness-property-relief>

² <https://www.gov.uk/government/news/what-are-the-changes-to-agricultural-property-relief>

³ Letter from The Chancellor to Chair of Treasury Select Committee
<https://committees.parliament.uk/publications/45691/documents/226235/default/>

- *Details of Defra proposals to improve profitability in the farming sector, for both owner occupier and tenant farmers.*
- *Details of Defra's proposal to develop a 'farming roadmap'.*

In my recent speech at Oxford Farming Conference, I provided further details on my vision for a farming sector that is more sustainable and profitable. A key part of that vision is to work with the sector and develop a farming system roadmap together. We are now running a series of collaborative workshops which will consider the future of the farming system and how we can act to achieve a shared vision.

Environmental Land Management Schemes (ELMS)

- *Information on the time taken by the Rural Payments Agency to respond to queries relating to the Sustainable Farming Incentive (SFI)*

As of 1 December 2024:

- RPA received more than 18,700 calls related to all SFI schemes. Just over 2,700 were related to the Expanded Offer, of which 2,511(93%) related to the application process.
- 60% of calls on the application process to the Rural Payments Agency (RPA) contact centre (1,506) are resolved during on the initial call.
- 25% (628) transferred to other departments and dealt with during that same first call.
- 15% (377) dealt with through a follow up call (or calls) from RPA.

Written correspondence (mainly email) is resolved within an average of 4 days, with 98.4% of correspondence resolved and closed within 30 days.

As of 17 December 2024, we had received just under 9,900 applications and issued around 6,700 agreement offers for the expanded SFI offer. The average time between submission and offer is 24 days, but some complex applications do need more time to process.

- *Figures on Sustainable Farming Incentive (SFI) applications by farm size*

Of the live SFI agreements (as of 2 December 2024), 28% are under 50ha, 23% 50-100ha, 25% 100-200ha, 16% 200-400ha and 9% over 400ha. The percentage figure is lower for the larger farms as there are proportionally less of those in England. The proportions will change as more agreements go live.

Around 27,000 applications were submitted for the SFI 2023 offer and around 25,300 have started and are delivering on the actions.

- *More comprehensive Government data on ELMS - agreement-level and action-level data, spatial information and analysis of ELMS' impact on businesses, the environment and food production.*

I am committed to greater data transparency about ELM schemes, including SFI. We already publish data on agreements and will be increasing the granularity of the available datasets alongside improved awareness of where this information can be found. The focus on greater transparency of data will also extend beyond scheme and option uptake and covering modelling towards achievement of objectives and evaluation evidence.

Land use and food security

- *The second UK Food Security Report*

The latest UK Food Security Report (UKFSR) was laid in Parliament on 11 December, as required by the 2020 Agriculture Act. The UKFSR sets out an analysis of statistics relating to food security, serving as an evidence base to inform future government policy and public understanding.

- *Cross-Government food strategy*

Defra is developing an ambitious food strategy which will set the food system on the path for long-term success, ensuring it is able to feed the nation, realising its potential for economic growth, boosting our food security, improving our health, and ensuring environmental sustainability now and in the future. We know this will require a whole-of-government effort. We will work with industry and stakeholders to deliver lasting change.

Fairness in the food supply chain

- *Information on the merits of reducing the turnover threshold for business engagement by the Grocery Code Adjudicator (GCA).*
- *Information on the steps Defra is taking to strengthen the Groceries Code Adjudicator and Supply Chain Adjudicator and to introduce fair dealing obligations, on both a supply-chain wide and sector-specific level.*

We will ensure that the Groceries Code Adjudicator (GCA), and the Agricultural Supply Chain Adjudicator (ASCA), fulfil their remits to ensure fairness across the food supply chain.

The GCA's role is to enforce the Groceries Supply Code of Practice (the Groceries Code), which regulates the relationship between large grocery retailers and their direct suppliers. In this role it operates independently from Government and its regulatory approach is a matter for the GCA. The code applies to fourteen retailers who are designated by the Competition and Markets Authority (CMA) and have an annual groceries turnover of over £1 billion in the UK. Smaller retailers were excluded as the ability to pass excessive risks and unexpected costs to suppliers is a function of buyer power which is, in a large part, a function of the size of the retailer.

The Department for Business and Trade will begin the fourth statutory review of the GCA in 2025, covering 1 April 2022 to 31 March 2025. The review must consider how much the Adjudicator's powers have been exercised and assess its effectiveness in enforcing the Groceries Code. The Government will give all interested parties the opportunity to contribute to this review.

Water

- *The assessment Defra has made of the potential impact of the collapse of Thames Water on the public finances, and the steps the Department is taking to prepare.*

Government and Ofwat are carefully monitoring the situation, and Ofwat is working closely with the company to strengthen their long-term financial resilience within the context of its licence and broader statutory obligations. The company remains stable.

Customers need not be concerned about any increased disruption to their water supply or wastewater services because of the financial position of their water company. The provision of water and wastewater services will continue.

It is for the company to solve their issues of financial resilience. It is not for Government to tell a private company how to manage their finances. Water companies are commercial entities, and it would be inappropriate to comment further on the specific situation of any individual company.

Fisheries and marine environment

- *The steps the Department is taking to prepare for the end of the post-Brexit fisheries adjustment period on 30 June 2026.*

2026 will see the end of the temporary UK-EU fisheries adjustment period which allows the UK-EU access to fish in each other's waters at essentially the same level as when the UK was an EU member. After June 2026, the default arrangements of the UK-EU Trade and Cooperation Agreement automatically come into effect and access becomes part of our annual negotiations with the EU. We are aware that the EU are keen to hold discussions about fisheries' access arrangements and will listen to what they have to say.

- *Defra's strategy to manage the competing pressures on our seas, including areas of responsibilities of other Departments, such as offshore renewable energy.*

Defra has led the cross-government Marine Spatial Prioritisation programme to understand the future spatial demands in English waters, and provide insights into how Government can take a strategic approach in managing those demands.

The Marine Spatial Prioritisation programme is feeding into the development of the Strategic Spatial Energy Plan being developed by the National Energy Systems Operator

for the Department of Energy Security and Net Zero. This plan will cover land and sea and will help plan the energy system for the whole of Great Britain. The programme is also developing proposals with stakeholders on improving the collocation of different sectors, e.g. fishing and offshore wind, or fishing and cables.

- *Confirmation of whether Defra will commit to producing a 'marine use framework'.*

The UK Marine Policy Statement (2011) sets out a framework for preparing marine plans and taking decisions affecting the marine environment; the Government will keep under review the need to update it. The plans set out priorities for development within a given area to influence decisions about the sustainable use of marine resources. They also help marine users understand the best locations for their activities, including new developments.

Circular Economy

- *The steps the Government is taking to accelerate the delivery of collections and packaging reforms.*

The Collection and Packaging Reforms have the potential to support 21,000 new jobs and stimulate over £10 billion of investment in recycling capability over the next ten years.

For packaging Extended Producer Responsibility, the Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024 have now completed their passage through parliament. As a result, the scheme administrator has formally been established and the regulations came fully into force on 1 January 2025. We have published two iterations of the illustrative base fees (to aid business preparations) with a further iteration to be published shortly; we have communicated illustrative payment levels to all local authorities; and we have worked with the value chain to develop the Recyclability Assessment Methodology (RAM) and will publish the final version very soon.

The model has been developed with a range of sectors (hospitality, construction, retail, e-commerce etc) as well as with Local Authorities, and in collaboration with devolved governments. We have worked with industry steering groups (Scheme Administrator Steering Group), compliance schemes and trade associations representing both large producers and SME to produce a robust, accurate and fair model.

The UK Government has reaffirmed its commitment to a Deposit Return Scheme (DRS) and will be working closely with the Scottish Government and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland to launch the scheme across England, Scotland and Northern Ireland. We laid the DRS regulations for England and Northern Ireland before Parliament on 25th November 2024. We plan for the regulations to come into force in January. The next steps in delivery will be the Scottish Government making amendments to legislation in Scotland, and then the three governments progressing with the appointment of the Deposit Management Organisation(s) in April 2025. We have launched the application process for the appointment of the

scheme's deposit management organisation and are working closely with industry to support the establishment of the scheme. We will remain in close partnership with Welsh Government as they take decisions regarding a DRS in Wales.

Simpler Recycling means people across England will be able to recycle the same materials at home, work or school, ending the confusion over what can or cannot be recycled in different parts of the country. The relevant legislation, introduced in the Environment Act 2021, has now come into force⁴. The core requirements of Simpler Recycling and implementation dates are now set in legislation.

We are now engaging with key stakeholders to ensure successful delivery. We published guidance on the co-collection of paper and card⁵, waste collections from households⁶ and workplace recycling⁷. We are also working with sector specialists WRAP (Waste and Resources Action Programme) on best practice and to scope additional areas of support.

- *The aims of the Circular Economy Taskforce and what its priority areas for reform will be, outside of packaging.*

The Government committed in its manifesto to transitioning the UK to a circular economy. We have established a Circular Economy Taskforce to assist in developing a Circular Economy Strategy for England. The Taskforce membership is drawn from circular economy experts across industry, academia, civil society, and beyond. Membership and terms of reference are available on gov.uk⁸. The Taskforce has been asked to identify priority areas for reform, taking account of the potential contribution reforms could make to economic growth, making Britain a clean energy superpower, accelerating to Net Zero, and achieving targets for protection of our environment and natural capital.

- *Detail on plans to reduce consumption and encourage the reuse and repair of products.*

Encouraging reuse and repair, and moving materials up the waste hierarchy generally, will be fundamental to transition the UK to a circular economy. The Circular Economy Taskforce will consider the specific policies and interventions by which we might encourage this activity as part of its work to develop a Circular Economy Strategy for England.

- *The assessment the Department has made of the potential merits of increasing anaerobic digestive capacity for the (a) farming sector and (b) environment.*

Anaerobic Digestion (AD) has an important role to play in meeting net-zero goals. With the right standards and controls in place, AD also presents opportunities for improved nutrient

⁴ <https://www.legislation.gov.uk/ukxi/2024/639/made>

⁵ <https://www.gov.uk/guidance/collecting-paper-and-card-with-other-dry-recyclable-materials-written-assessments>

⁶ <https://www.gov.uk/guidance/ensuring-good-waste-collection-services-for-households>

⁷ <https://www.gov.uk/guidance/simpler-recycling-workplace-recycling-in-england>

⁸ <https://www.gov.uk/government/groups/circular-economy-taskforce>

management, and a nutrient circular economy. If improperly managed, AD can pose environmental risks so we are reviewing the effectiveness of environmental requirements including permitting. We are also working closely with DESNZ to manage risks and realise opportunities through the development of a Biomethane Future Framework.

Cross-cutting environmental work

- *The aims of the rapid review of into the Environmental Improvement Plan.*

I launched a rapid review of the Environmental Improvement Plan (EIP) for England to make it fit for purpose to deliver a significant improvement to the natural environment and clearly set out an approach for delivering the Environment Act 2021 targets. We will publish a summary of findings in early 2025. Later in 2025 we will publish a revised EIP to protect and restore our natural environment with delivery information to help meet the Environment Act targets. It will focus on cleaning up our waterways, reducing waste across the economy, planting millions more trees, improving air quality and halting the decline in species.

- *How Defra achieves cross-departmental buy-in for Defra's core environmental priorities.*

The Environment Act places a duty on Ministers to have 'due regard' to the environmental principles policy statement when making policy. The duty came into force on 1 November 2023,. The duty guides policy makers toward opportunities to protect and enhance the environment, helping ministers contribute towards government's environmental commitments (including EIP and Net Zero).

The cross-government Director General EIP Board is responsible for overseeing and driving forward implementation of the EIP and associated requirements set out in the Environment Act. Membership includes all contributing departments (Housing Communities and Local Government, Transport, Justice, Education, Defence, Digital, Culture, Media and Sport, and central HM Treasury, No.10, Cabinet Office).

- *How Defra will work with devolved administrations and local government to make progress on nature recovery and tackling climate change.*

Domestic biodiversity policy is devolved, however, UK countries coordinate on monitoring, reporting, knowledge sharing and international negotiating positions.

The UK National Biodiversity Strategies and Action Plan (NBSAP) which is coordinated by the Joint Nature Conservation Committee (JNCC) will bring together existing strategies and plans from the four countries and relevant Overseas Territories and Crown Dependencies.

The updated UK Biodiversity Framework (UKBF) demonstrates the commitment of the four countries of the UK to work together on the goals of the Global Biodiversity Framework. The Four Countries' Biodiversity Group (4CBG) is the lead governance body for the UKBF, and

includes DAERA, Defra, Scottish Government, and Welsh Government. It takes forward substantive and policy-development issues common to all four countries.

- *The aims for the Dan Corry review into Defra's regulators.*

Dan Corry is conducting an internal review on whether the inherited regulatory landscape is fit for purpose, and will develop recommendations to ensure that the Department's regulation is driving economic growth while protecting the environment. He is focussing on:

- whether Defra regulators are equipped to drive economic growth, secure private sector investment and protect the environment.
- the customer and stakeholder experience of regulation, including the impact on those who are regulated; and
- the efficiency of regulation, whether the current regulatory landscape involves any duplication and contradiction, and if there are opportunities to make improvements.

- *Plans to review the Third National Adaptation Programme.*

The Office for Environmental Protection (OEP) is carrying out a review of the duty's implementation which they expect to lay before Parliament in early 2025. Defra is also currently carrying out a high-level review of implementation of the duty across government to highlight best practice and review the effectiveness, due by November 2025. This includes:

- Clarifying and strengthening the government's adaptation objectives
- Improving our governance and monitoring of progress
- And a renewed focus on translating evidence into action

We will have more to say on this strengthened approach to adaptation in due course.