

Thirty-First Report of Session 2021-22

Department for the Environment, Food and Rural Affairs

Environmental Land Management Scheme

Introduction from the Committee

For more than 40 years, the farming sector has been supported by subsidies through the European Union's Common Agricultural Policy (CAP). English farmers receive around £2.4 billion annually. In recent years, around four-fifths of this were provided as direct payments based primarily on the amount of land farmed. Following the UK's exit from the EU, the Department for Environment, Food & Rural Affairs (the Department) is introducing the Future Farming and Countryside Programme, which will focus on improving the environment, protecting the countryside, improving the productivity of the farming sector and improving animal health and welfare. The Department plans to reduce the amount of money provided to farmers through direct payments each year from 2021 and remove them entirely by 2027. The resulting funds will be used to provide environmental benefits instead. The Environmental Land Management (ELM) scheme is the most significant of the new schemes being introduced.

The scheme will have significant implications for the farming sector. Over a third of farmers would have made a loss over the last three years without direct payments. It is also a crucial part of the Department's plans to achieve the wider environmental objectives of the government's 25-Year Environment Plan and to meet government's net zero target by 2050. ELM will pay farmers for actions to improve the environment. It will consist of three components, each of which is planned for full launch in 2024. In the meantime, the first component, the Sustainable Farming Incentive (SFI), is being piloted in 2021 and the Department plans to begin roll-out in 2022. This initial roll-out of SFI is intended to allow farmers to start earning income for providing environmental benefits as the current system of direct payments start to be phased out. Farmers and other landowners will also have access to other schemes funded by the removal of direct payments, including programmes focussed on promoting productivity such as the Farm Resilience Scheme.

Based on a report by the National Audit Office, the Committee took evidence on Thursday 21 October 2021 from the Department for Food and Rural Affairs. The Committee published its report on Sunday 9 January 2022. This is the government's response to the Committee's report.

Relevant reports

- NAO report: [The Environmental Land Management scheme](#) – Session 2021-22 (HC 664)
- PAC report: [Environmental Land Management Scheme \(parliament.uk\)](#) – Session 2021-22 (HC 639)

Government response to the Committee

1: PAC conclusion: The Department is over-optimistic about what it will be able to achieve by when, resulting in repeated delays and uncertainty over the delivery timetable for ELM.

1: PAC recommendation: The Department should report to the Committee early in 2022, and annually thereafter, with an assessment of the deliverability of its plans for farming. This should include both the elements to be rolled out in the short term, and longer-term plans for the overall approach to land management in England.

1.1 The government agrees with the Committee's recommendation.

Target implementation date: end of March 2022

1.2 The government does not accept that the plans are overly optimistic and are confident that it will deliver the reforms effectively through the iterative, test and learn approach. As with all major programmes there are delivery risks, but these are being actively managed

1.3 The government recognises the importance of clear and deliverable plans, and since the Committee took evidence, the government has published more details of its planned rollout of [Sustainable Farming Incentive](#), [Local Nature Recovery](#) and [Landscape Recovery](#) schemes.

1.4 The government will, as requested, provide more information to the Committee about plans, progress and deliverability assessments on an annual basis starting in March 2022.

1.5 The government will write to the Committee by 31 March 2022 to provide further details of:

- Sustainable Farming Incentive early rollout plans, progress, and plans to develop the scheme after 2022.
- The government plans to roll out Local Nature Recovery to a limited number of people in 2023 and across the country by the end of 2024.
- The launch of applications for the first round of Landscape Recovery pilot projects in 2022 and plans for launches of later rounds from 2023 onwards.

2: PAC conclusion: The Department has not established the metrics that it will need to determine whether ELM is contributing towards the government's environmental goals.

2: PAC recommendation: The Department should develop clear metrics, and establish robust baseline measures, to allow it to assess the operational effectiveness of ELM and ensure these are published before the start of roll-out in 2022. It should report against these metrics annually to enable Parliament and the public to determine what progress it is making towards meeting the objectives set out in the Government's 25 Year Environment Plan.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: January 2023

2.2 The government agrees with the Committee that it is important to have clear metrics for the reform programme and to publish progress updates about the operational effectiveness of schemes regularly.

2.3 The government has, since the Committee's investigation in October 2021, published more information about its key aims for the schemes.

2.4 These interventions will support the long-term environmental targets that are being developed under the Environment Act 2021 and will be consulted upon soon.

2.5 The government will report annually on the delivery of targets within its statutory Environmental Improvement Plan, as required under the Act. This will include metrics about the performance and contribution of Environmental Land schemes.

3: PAC conclusion: We are not convinced that the Department sufficiently understands how its environmental and productivity ambitions will impact the food and farming sector over the next decade.

3: PAC recommendation: The Department should urgently explain to the Committee, showing its forecasts both for changes in land use and resulting changes in payments to farmers, how it expects its farming programmes to affect food production and farm productivity in England and report annually to Parliament on the level of food price inflation together with any changes to the proportion of the food we consume that is produced in the UK, which was 53% in 2018.

3.1 The government agrees with the Committee's recommendation.

Target implementation date: end of March 2022

3.2 The government agrees that it is important to understand the impacts of reforms on the food and farming sector and, with that in mind published a detailed analysis in 2018 and 2019 that set out the likely impacts of direct payment reductions on different types of farm business.

3.3 The [2019 Future Farming and Environment Evidence Compendium](#) sets out a comprehensive analysis of the impact of removing direct payments alongside an analysis of routes to improve productivity and grow farm incomes.

3.4 The government is currently updating this analysis to reflect data on farm incomes immediately preceding the start of the agricultural transition and will publish an update by 31 March 2022.

3.5 The government agrees it is important to publish regular data on food price inflation and food self-sufficiency. Food price inflation and self-sufficiency is reported annually in the Food Statistics Pocketbook sections 6, 7 and 9 (a National Statistics publication, [Food Statistics in your pocket: Summary](#)).

4: PAC conclusion: Despite committing to delaying the early stages of SFI if either the Department or farmers were not ready, the Department has not specified what would trigger such a delay.

4: PAC recommendation: In line with its Treasury Minute response, the Department should write to us by the end of February 2022 to confirm how it is assuring its own and farmers' readiness at each stage of the Programme, and specify what would trigger a delay and when, allowing sufficient lead time to allow farmers to plan for a delayed launch. In the meanwhile, it should inform the Committee immediately if any issues with the timetable arise.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: end of February 2022

4.2 The government agrees that it is important to ensure farmers are ready and able to plan and adapt to the changes the government is introducing and the government is ready to deliver effectively.

4.3 The government will write to the Committee as requested by 28 February 2022 to explain:

- a) how plans for Environmental Land Management Schemes in the short and long term are being developed and managed in partnership with farmers and other experts, and
- b) the approach to business and operational readiness, including our approach to contingency planning.

4.4 The government will, as requested, inform the Committee in a timely way of any anticipated significant delays to the timetable for rolling out new schemes.

5: PAC conclusion: The Department has not yet done enough to gain farmers' trust in its ability to successfully deliver the programme.

5: PAC recommendation: The Department should review its entire communications strategy and report to us by the end of March 2022 on the improvements it is making.

The Department should also set out how it will incentivise young farmers both to enter, and to remain, in the industry.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: end of March 2022

5.2 The government is in the first year of the transition, so it is to be expected that there is still more to do to build trust and confidence in the reforms, much of which will come only when the government successfully launch new schemes, and those schemes work effectively for farmers.

5.3 The government has started that process, since the Committee took evidence in October 2021, including successfully launching a resilience scheme, two rounds of the [Farming Investment Fund](#) which has been significantly over-subscribed, and the [Sustainable Farming Incentive Pilot](#) where the government attracted its target level of participation with 938 farmers applying to take part with a good a range of geography, farm types, ownership/tenancy and farm sizes.

5.4 The government agrees with the Committee that it is important to build trust in the reforms and that is why the government is investing significant effort in co-designing new schemes with farmers, engaging with the sector, and communicating with them about the changes that are coming, as well as improving operational performance and making inspections and controls fairer and more proportionate. The government will continue and extend these activities throughout 2022 and beyond.

5.5 Since the launch of Agricultural Transition Plan in 2020, the government has embarked on a significant stakeholder engagement and communications approach to the sector.

5.6 The government is engaging much more closely with a wider group of stakeholders and routinely using a multi-channel communications approach to reach farmers through digital and non-digital channels, including through trusted intermediaries as well as directly and through farming media, as the government rolls out new policies.

5.7 The government strategy is working in terms of raising awareness of and building trust in the changes, as seen with early take up of the government productivity grants and Sustainable Farming Incentive (SFI) pilot, and a 40% increase in applications for Countryside Stewardship agreements between 2021 and 2022.

5.8 However, the government recognises that there is more to do. As the government rolls out the new schemes and progresses through the transition, it will need to continue to communicate widely and effectively, including more direct communications with farmers to

explain what is available to them and continue to build their trust and confidence in the new schemes.

5.9 The government will write to the Committee, as requested, by March 2022 with further details of its plans and progress in communicating and building trust with farmers.

6: PAC conclusion: *The Department is not doing enough to support farmers through the transition to the new schemes and alleviate any anxiety its plans are causing.*

6: PAC recommendation: *The Department should identify what further support is needed to help farmers during the transition, including where farmers will face significant business challenges in the short term. The Department should particularly set out what it will do to support farmer's well-being through the transition.*

6.1 The government agrees with the Committee's recommendation

Target implementation date: September 2022

6.2 The government has already been acting on this issue in the early stages of the transition.

6.3 The government recognises the agricultural transition is a significant change for farmers – that's why the government decided to implement the reforms over a seven-year period to give farmers time to plan and adapt, and why the government is offering free business planning advice through a fully funded resilience programme to help farmers understand their options, plan, and adapt. The government also recognises the importance of farmers' well-being and the challenges currently facing the sector. Whilst the Resilience Fund does not support standalone well-being projects, it is open for applications which incorporate well-being and mental health support into a wider programme of business advice, and it ensures that projects signpost to relevant services where appropriate. Stakeholder feedback from the Initial Phase of the Resilience Fund strongly suggested that farmers find the greatest value in this kind of integrated approach

6.4 Through the government's productivity and innovation, research and development grant offers, careful design of new schemes and improvement of existing schemes, targeted business support and the work of others such as the Agriculture and Horticulture Development Board (AHDB), the government is working to ensure all farmers have the opportunity to manage their business effectively and positively through the transition.

6.5 The government regularly monitors how farmers are responding to the changes. The government is working with farming bodies, farming charities, intermediaries, and farmers themselves to understand how the transition is progressing and what support farmers need, so that the government can continually refine and improve the support offered to farmers based on what is learned.

6.6 The Department for Environment, Food and Rural Affairs and the Rural Payments Agency will continue to engage with the farming community through attendance at agricultural shows, Farming shows, workshops, and other large events, and through direct engagement with farmers, farming organisations and charities and other stakeholders.

7: PAC conclusion: *We are concerned that ELM will be too complex and bureaucratic and will not cater for the full range of farm types and circumstances.*

7: PAC recommendation: The Department should urgently write to the Committee by the end of January 2022 to explain how it is using the current pilot of SFI to get feedback on the complexity of ELM, especially for smaller farm businesses and tenant farmers, and what changes it will make to alleviate any perceived complexity.

7.1 The government agrees with the Committee's recommendation

Recommendation implemented

7.2 The government wrote to the Committee on the 27 January as requested.

7.3 The government is already designing the new schemes to be more straightforward, fair and attractive to farmers.

7.4 The government is actively learning from the Sustainable Farming Incentive pilot and has already updated the standards and scheme rules for early rollout of the scheme based on that learning. In particular, the government has updated:

- the rules of scheme agreement length and flexibility to make the scheme more accessible to tenant farmers, and
- the standards to make them more straightforward and more practicable on farm

Before rollout of the scheme, the government is:

- simplifying scheme rules, guidance, and paperwork
- implementing a new, more straightforward, and more rapid process to apply for the scheme, and
- updating the terms and conditions of the scheme