



Department
for Environment
Food & Rural Affairs

Future Farming and Countryside Programme annual report

1 April 2021 to 31 March 2022

Presented to Parliament pursuant to Chapter 1, Section 5 of the Agriculture Act 2020

Date: October 2022



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We are the Department for Environment, Food and Rural Affairs. We're responsible for improving and protecting the environment, growing the green economy, sustaining thriving rural communities and supporting our world-class food, farming and fishing industries.

We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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Introduction

The Agriculture Act (2020) provides legal powers to, among other things, phase out area based Direct Payments. It also includes powers to provide financial assistance for a range of purposes.

Chapter 1 Section 5 of the Act also places a duty on the Secretary of State to lay and publish an annual report providing information about the financial assistance given over the previous financial year. This is the first of those reports and relates to financial year 2021-2022, the first year of the agricultural transition.

The policy context

Each of us relies on farmers every day to produce the healthy, high-quality food we have come to take for granted. Farmers also play a crucial role in our rural economy and communities, and as stewards of our countryside.

Protecting our environment is at the heart of the government's manifesto commitments and we will always back British farmers and our rural communities.

We are reforming agricultural policy in England to create a sector that is more resilient and productive that increases food production and contributes to export growth. We can achieve this through innovation and productivity growth and building on our reputation for high environmental and animal health and welfare standards.

For many farmers, taking care of the natural environment is also an integral part of their business, alongside food production and we will be working closely with farmers, land managers and environmental groups as we look at ways to improve our future farming policy, so that it both strengthens our environment and supports our thriving food and farming sector.

What we achieved in 2021 to 2022

Financial year 2021 to 2022 was the first year of the agricultural transition. We started to phase out Basic Payment Scheme (BPS) payments, simplified the administration of existing agri-environment schemes, improved our approach to farming regulation, and designed, piloted, and started the roll out of our new offers.

Our delivery progress across 2021 to 2022

Changing how government operates

In 2021 to 2022 we:

- began the phase out of Direct Payments by applying progressive reductions to the 2021 BPS as announced in the Agricultural Transition Plan
- removed greening rules for BPS participants, which resulted in scheme guidance reducing by around a half
- with the Rural Payments Agency (RPA), overhauled our approach to cross compliance, making it supportive with inspectors empowered to use more discretion, warning letters and guidance
- in 2021, regulation and enforcement (R&E) changes mainly related to environmental areas and, in 2022, we added changes to animal health and welfare
- removed 200 unnecessary farm visits in 2021 relating to cross compliance and roughly halved the number of financial penalties for cross compliance minor breaches, for example paperwork errors – these changes have reduced first stage complaints by more than 50% in 2021, with an 85% drop in formal complaints (from about 30 per year to 4 in 2021), and no Independent Agricultural Appeal cases for 2021 scheme year penalties, compared with about 3 per year previously
- worked with Defra group colleagues to expand Environment Agency (EA) resources in 2021 (from 27 to 77) and are continuing our expansion in 2022 to 113 officers
- EA officers worked with farmers on more than 4,600 improvement actions on farms since April 2021, of which 1,700 have already been completed – officers also sent at least 175 warning letters for offences and the EA concluded 18 prosecutions for offences on agricultural premises
- launched pilots involving the EA and RPA in summer 2021 on improved environmental regulatory interventions, both on farm and remote, including funding for additional legal resource – early feedback from inspectors and farmers is positive
- agreed a national Shared Regulatory Approach across the 5 Defra bodies involved in regulating farmers to make our system more coherent and effective
- created an app which allows officers to share information on regulatory issues on farm across Defra arm's length bodies – the app has been rolled out to inspectors at EA, Forestry Commission (FC), RPA, Animal and Plant Health Agency (APHA) and Natural England over the summer, and 945 users currently have access to the app
- strengthened our dialogue with external partners through regular forums, roundtables, show and tells, and working groups – this has expanded opportunities for farmers and external partners to shape elements of policy, standards and service design and early feedback has been positive
- spoke with more than 24,000 people this year, at agricultural shows, farm visits, auction markets, conferences and other events across the country
- established 6 trusted networks within specific sectors, for example vets, banks, agronomists, livestock, supermarkets and agricultural colleges – we have supported over 400 professionals working in these sectors to give advice to the farmers that they meet and serve

One-off grants

In 2021 to 2022 we:

- awarded funding of around £45 million to more than 4,000 applicants through the Farming Investment Fund to help improve farm productivity
- launched the first rounds of competitions in the £270 million Farming Innovation Programme (R&D) with more than £60 million invested so far to support innovation, research and development to improve farm practices, equipment and technology in future – in response to high quality demand, we increased funding to accommodate more projects, increasing the success rate for applicants

Ongoing payments

In 2021 to 2022 we:

- saw an increase of 40% in farmers wanting to join Countryside Stewardship (CS) between 2020 and 2021 and brought payment rates for the scheme up to date (an average increase of 30%, compared with payment rates when they were last updated in 2013) to better reflect the costs of taking the required actions
- received 11,735 valid applications to the annual CS scheme round for agreements starting on 1 January 2022, an increase in applications of 40% from the previous year
- launched new 5-year mirror agreements, on domestic terms, for CS customers with an expiring agreement made under EU rules
- increased payment rates for CS revenue options to better reflect the change in costs since the scheme opened in 2015 – on average payment rates increased by 30% for most options
- opened a new round of the CS Facilitation Fund offering £3 million for collaborative groups working to deliver agri-environmental priorities – 45 applications were received
- opened the 2022 CS offer on 8 February for agreements starting on 1 January 2023 – the application window for CS Capital Grants remained open all year for the first time to meet the increased demand for capital grants in the scheme
- brought 850 farmers into our Sustainable Farming Incentive (SFI) Pilot, in line with our ambition to attract several hundred farmers – we started the first pilot agreements in November 2021, making the first payments to participants as planned in February 2022
- ran a competition for the first round of projects under our new Landscape Recovery scheme to support large-scale, long-term environmental enhancements alongside food production – we received 51 applications and have recently selected 22 of those to take forward
- launched a small, focused 3-year pilot scheme in August 2021 in close collaboration with the Forestry Commission – the aims are to test and refine novel incentives to support land managers to minimise the impacts of tree pests and

diseases and to help build the resilience of our treescape against changing environmental pressures

- provided, through National Parks and Areas of Outstanding Natural Beauty (AONBs), targeted support to farmers and landowners through the Farming in Protected Landscapes offer – in the first year (July 2021 to March 2022) around 1,000 projects were approved across England’s 44 Protected Landscapes (National Parks and AONBs)
- published our priorities for the health and welfare priorities for meat chicken, laying hen, pig, beef and dairy cattle and sheep sectors – these priorities have been determined through co-design with industry, vets, non-government organisations and welfare scientists

What we spent in 2021 to 2022

In 2021 to 2022 we spent £2.294 billion.

The small degree of underspend, compared to spending plans set in 2020, was largely driven by delays in socio-economic schemes that were awarded in 2020 and whose delivery was negatively affected by the covid pandemic. The underspend was made available for schemes within 2022 to 2023. 2021 to 2022 was the first year of the agricultural transition, and most expenditure was on Common Agricultural Policy schemes.

Table A: Total scheme spend in 2021 to 2022

Scheme	Spend (£ million)	Agriculture Act (£ million)	Other (£ million)
Direct Payments	1,654	0	1,654
Existing agri-environment schemes	349	0	349
Simplified Countryside Stewardship	109	0	109
Environmental Land Management (ELM) Trials and Testing	3	0	3
Farming in Protected Landscapes	11	0	11
Livestock Information Programme	23	0	23
Future Technical Assistance	20	0	20
Existing Rural Growth and LEADER	75	0	75
Farming Investment Fund	2	2	0
Institute for Agriculture and Horticulture	2	0	2
Farming Innovation Pathway	3	0	3
Farm Resilience	5	5	0
Existing CMO (Common Market Organisation)	37	0	37
Total scheme costs	2,294	7	2,287

Commentary

Direct Payments spend was within £10 million of planned spend. There is always some variance with Direct Payments depending on how many entitlements are claimed each year.

Compared to spending plans, there was around £26 million of underspend on CS where spend on capital items was lower than anticipated. This spend is dependent upon claimant behaviour and therefore there is greater uncertainty around forecasts.

Compared to spending plans, there was a small degree of underspend related to Farming in Protected Landscapes (£12 million) and Sustainable Farming Incentive Pilot (£21 million) as schemes launched later than was forecast in 2020.

Compared to spending plans, expenditure on the Rural Development Programme for England (RDPE) was £40 million below forecasts for socio-economic RDPE schemes. This divergence from plans was due to delays in a number of large-scale projects particularly for rural broadband. There was a £19 million reduction in spend in 2021 to 2022 on the Farming Investment Fund due to a delayed November launch. This spend will fall in 2022 to 2023 instead.

Legal basis for spend

The programme will introduce new schemes based on domestic powers and close old schemes which rely on EU powers or in some case other domestic powers such as the Natural Environment and Rural Communities Act 2006. As that transition progresses, we will see an increasing level of spend through the powers provided by the Agriculture Act from 2022 to 2023 onwards.

Annex 1: What we delivered in 2021 to 2022

Scheme	Spend (£ million)	What we delivered in 2021 to 2022
Direct Payments	1,654	BPS funding to 84,000 farmers to achieve regulatory standards on their land, with 99.8% of payments made to eligible claimants
Existing Agri-environment schemes	349	As of March 2022, there are 30,000 or 29% of businesses in an agri-environmental scheme. This covers over 2.9 million hectares or 33% of England's utilised agricultural area. There are currently around 31,000 farmers and land managers in CS and ES agreements. Roughly 35% of agricultural land is in schemes nationally.
Simplified Countryside Stewardship	109	The CS Facilitation Fund opened a new round offering £3 million for collaborative groups working to deliver agri-environmental priorities. Forty-five applications were received.
ELM Trials and Testing	3	Twenty-nine new Tests and Trials focused on supporting the design of Landscape Recovery were funded. We started a further 30 new tests and trials, learning from and working with farmers and others on their ideas on environmental land management. These tests and trials involved around 5,000 stakeholders, with 42 tests completed over 2021 to 2022.
Farming in Protected Landscapes (FiPL)	11	FiPL supported 1,139 projects across the 4 nature, climate, people and place themes. 1,831 farmers engaged in the programme in 2021 2022, working with Protected Landscapes teams to deliver projects. 14% of farmers engaged in FiPL have never previously had an agri-environment scheme.

Scheme	Spend (£ million)	What we delivered in 2021 to 2022
		<p>Farming in Protected Landscapes created 25 new farming clusters and supported 65 existing ones.</p> <p>Outputs included:</p> <ul style="list-style-type: none"> • over 88,000 metres of hedgerow planted • around 45,000 hectares of habitat improvement for biodiversity • Around 121 hectares woodland creation • Around 5,700 metres of drystone walling restored • 39 new permissive paths
Existing Rural Growth and LEADER	75	<p>6,290 people trained under Bovine Tuberculosis (bTB), Bovine Viral Diarrhoea (BVD) and Sheep Scab schemes.</p> <p>4,686 jobs created through LEADER and Growth schemes.</p> <p>Growth Round 3 has contracted 305 projects.</p> <p>CP Large has contracted 369 projects.</p> <p>Rural Broadband Infrastructure Scheme contracted 17 projects.</p> <p>Total number of growth projects contracted or completed: 3,678.</p>
Farming Investment Fund	2	<p>This funding has allowed farmers to purchase from a wide-ranging list of equipment offered as part of the Farming Equipment and Technology Fund. This includes equipment for cattle and sheep handling, direct drills and slurry application.</p>
The Institute for Agriculture and Horticulture (TIAH)	2	<p>Development of on-line platform.</p> <p>TIAH launched a pilot to help develop its services ahead of a general launch to wider membership in 2023.</p>

Scheme	Spend (£ million)	What we delivered in 2021 to 2022
Farming Innovation Pathway	3	<p>Over 200 applicants to Farming Innovation Pathways competition.</p> <p>Increased funding by £2.5 million to bring total budget to £14.5 million and accommodate more high-quality projects.</p> <p>A portfolio of 48 innovative projects is now live.</p>
Farm Resilience	5	<p>We paid for free business advice for approximately 5,800 farmers through our Future Farming Resilience Fund.</p>
Existing CMO (Common Market Organisation)	37	<p>Around 1,500 quota licences issued to approximately 100 customers.</p> <p>356 active School Milk Scheme claimants. Around 13,500 schools supported overall. In a normal year we pay about £6 million but that has been less due to coronavirus (COVID-19) impacts on pupil numbers.</p> <p>Thirty-four producer organisations supported under the Fruit and Vegetable scheme.</p> <p>Issued six Attestation of Equivalence for hop growers.</p> <p>Issued 9 VI-1 Wine export certificates.</p> <p>Eighteen applications were received under the Private Storage Aid scheme. In total 745 tonnes of deboned pig meat were put in storage under the scheme.</p> <p>Sixteen applications for part funding of additional slaughter shifts were approved via the Slaughter Incentive Payment, 13 shifts completed, with 3 cancelled due to technical or workforce issues. The total number of pigs slaughtered under the scheme was 27,334.</p>

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