

Update on the planned rollout of the Environmental Land Management System (ELMS)

Incorporating Defra's ELMS policy discussion document (February 2020) and webinar (July 2020), webnote update and first Tests and Trials newsletter (14 October 2020)

November 2020



Introduction

In the 25-Year Environment Plan the government announced its intention to design and deliver a new environmental land management system (ELMS), using public money to deliver public goods through simple and effective administration:

- Incentivise and reward land managers to restore and improve natural capital and rural heritage.
- Deliver more for the environment, including mitigation of and adaptation to the effects of climate change.
- Be more flexible, putting more management decisions in the hands of land managers.
- Keep bureaucracy to a minimum, and to provide a more user-friendly application process.

"The vision is for one flexible contract, one set of guidance, and mass uptake. An Environmental Land Management System will be the cornerstone of that policy. We are looking for a new relationship with our land managers. It's not one where you are customers of subsidy. You are much more contractors, contracted to deliver public goods in a way which fits alongside your other marketable products."

James Le Page, Principal Adviser at Defra¹

ELMS is expected by the government to help deliver six of the 10 goals of the 25-Year Environment Plan:

Goals to be delivered through ELMS	Other 25YEP goals
1. Clean air.	7. Mitigating and adapting to climate change.
2. Clean and plentiful water.	8. Minimising waste.
3. Thriving plants and wildlife.	9. Managing exposure to chemicals.
4. A reduced risk of harm from environmental hazards such as flooding and drought.	10. Enhancing biosecurity.
5. Using resources from nature more sustainably and efficiently.	
6. Enhanced beauty, heritage and engagement with the natural environment.	

Defra wants almost all land managers to sign up to the ELMS. It expects a higher level of participation due to Basic Payments being phased out by 2028. It says that 'The overall aim is that, in 10 years' time, we'll have a tried and tested, world-class system.'

¹ Quoted in Richmondshire Today, 4 December 2018.



Work on the design of the ELMS is well under way, and will involve a process of Pioneers, tests and trials and a National Pilot over the next 4 - 6 years.

This paper summarises what we understand is happening under each of these. It will be updated when new information is available.

25-Year Environment Plan Pioneers (2016 – 2024)

In 2016 Defra created four Pioneer projects, working for 3-4 years, in different local contexts to improve the natural environment and to inform the development and implementation of the 25-Year Environment Plan.

The four Pioneers are:

Pioneer	Location	Led by	Activities include ² :
Catchment	Cumbria	Environment Agency	<ul style="list-style-type: none"> Engagement with the community and local place-based decision-making New approaches to environmental land management, through ELMS tests and trials
Landscape	North Devon	Natural England, with Exeter and Plymouth universities	<ul style="list-style-type: none"> New approaches to environmental land management, through ELMS tests and trials, including at landscape scale³
Marine	Suffolk and North Devon	Marine Management Organisation	<ul style="list-style-type: none"> Application of natural capital approach, including natural capital accounts for saltmarsh
Urban	Greater Manchester	Environment Agency	<ul style="list-style-type: none"> Environmental net gain

The Pioneers were asked to focus on four overarching objectives or 'asks' but they were also given some freedom in establishing their specific local objectives and priorities:

1. Test new tools and methods as part of applying a natural capital approach in practice.
2. Demonstrate a joined-up, integrated approach to planning and delivery.
3. Pioneer and 'scale-up' the use of new funding opportunities.
4. Grow our understanding of 'what works', sharing lessons and best practice.

The key expected local outcome is a shared vision for improving the natural environment that people support and can take forward to improve local governance and decision-making across land and marine environments.

The Pioneers are almost through their originally expected lifespan of 3-4 years, and a lot of time has been spent agreeing objectives, work programmes and establishing partnerships and working practices.

It is hoped that the second half of the programme will deliver more in terms of on-the-ground actions and environmental improvement.

The Pioneers and ELMS

Two of the four Pioneers are active in projects that could affect the design of ELMS: the Cumbria Catchment and Devon Landscape Pioneers. Both made applications to Defra in 2018 to undertake tests and trials of new environmental land management options in their respective areas. These applications should be strongly positioned to undertake useful tests and trials due to the natural capital evidence gathering and local partnership and engagement work undertaken to date.

² In view of the common overall objectives of the Pioneers, there are clear common themes in the activities being undertaken. For example, all of the Pioneers are undertaking some form of natural capital assessment and/or accounting exercise, developing some form of natural capital investment plan, looking at new ways of influencing decision-making in their specific local contexts, and seeking to develop and share learning.

³ The Devon Landscape Pioneer has developed a Natural Capital/Ecosystem Services Database and Root Cause Analysis. This includes financial mapping of existing public expenditures affecting natural capital, undertaken by eftec which indicated that there is considerable existing funding, which, if used efficiently and in a joined-up way, could offer substantial opportunity for natural capital investment. It is looking to trial an integrated approach to public sector decision-making to explore innovative governance for North Devon as a place. It plans to work at community level in Bideford and Braunton to apply the natural capital approach into town and neighbourhood plans.



An interim evaluation of the Pioneers identified a number of learning points relating to the practical challenges of working with land managers to test and trial new approaches, including:

- Understanding the farm business context.
- Reconciling priorities for natural capital at farm and landscape scale.
- Engaging land managers.
- Inclusion of other public goods as well as natural capital.
- Joined-up messaging.
- Administrative issues.
- Delivery methods to enhance effectiveness.

Integrated Local Planning and Delivery

All of the Pioneers are engaging with local partners to develop a shared understanding of environmental needs and priorities, improve co-ordination of environmental action, and work towards better planning and decision-making that helps to enhance natural capital.

Overall, the Pioneers report many positive discussions in each of their areas in influencing specific policies and agendas at the local level, but fewer achievements in terms of their influence on local planning and delivery processes to date.

One major achievement of the Greater Manchester Urban Pioneer is the adoption of its Strategic Plan:

The Greater Manchester Urban Pioneer Strategic Plan⁴

The Strategic Plan was published in January 2018 under the joint leadership of the Environment Agency and Greater Manchester Combined Authority, representing a public commitment to implementing the natural capital approach in Greater Manchester, giving the work of the Pioneer legitimacy and helping in engagement with partners.

The Plan states that the Urban Pioneer will support Greater Manchester in creating a natural liveable city region, reversing the decline in the quantity and quality of its natural assets and the services they provide. It will seek to provide local and national government, NGOs, private sector and communities with the tools and evidence to appropriately identify and account for the true value of Greater Manchester's natural capital and integrate it into decisions.

The Plan sets out the Pioneer's aims and objectives, the background and context in Greater Manchester and the environmental priorities and challenges it is seeking to address, the success factors, dependencies, impacts and risks, local governance arrangements and budgetary resources.

The Plan, in guiding and influencing the work of the Greater Manchester Combined Authority, is expected to create a legacy that will outlive the Pioneer.

There remains some uncertainty about what exactly integrated planning and delivery will involve and what success will look like. This feels very important to pin down if land managers are to be successfully engaged.

Area Integrated Plans

The 25-Year Environment Plan notes that work has started to create Area Integrated Plans.

An initial job was to align of the work of the Environment Agency, Natural England and the Forestry Commission around a common geography of 14 areas, each of which now has its own Area Integrated Plan. Defra proposes that these will develop into natural capital plans, aligned with the 25-Year Environment Plan.

The aim is for the 14 areas to work together, using a natural capital approach, bringing in other partners to maximise environmental benefits through better coordination. Local partner organisations are likely to include Local Enterprise Partnerships, leading businesses and utility companies, Local Nature Partnerships, Catchment Partnerships, local authorities, National Park Authorities and water companies.

The Government's vision is one in which the 14 local areas are mapped and managed more as a system, with a 'system operator' responsible for the strategic management of the natural capital in accordance with respective local plans. This is the type of system that Dieter Helm has advocated for in *Natural Capital, Valuing the planet*.

⁴ Environment Agency and Greater Manchester Combined Authority (2018) Urban Pioneer Strategic Plan – Greater Manchester. January 2018



The 25-Year Environment Plan notes that this is a long way from where we are now, and that considerable work is required to map out how this might operate in practice.

Tests and trials (2019 – 2024)

Defra intends to test, trial and pilot elements of the new ELMS before they are brought together into the new system. Tests and trials are small-scale projects proposed by stakeholders to develop specific parts of ELMS:

- **Trials** assess the viability and value for money of more novel or innovative ways of implementing the scheme.
- **Tests** are of shorter duration than trials and focus on building blocks of the scheme such as developing a land management plan with farmers and land managers.

There are six priorities for the tests and trials programme:

1. Land Management Plans.
2. The role of advice and guidance.
3. Payments.
4. Spatial prioritisation.
5. Collaboration.
6. Innovative delivery solutions.

There have been two phases of the tests and trials. Phase 1 started in 2018⁵ and Phase 2 in September 2019. Phase 1 mainly comprises projects that reflect stakeholders' own interests and expertise and Phase 2 is more targeted at Defra's needs for information to develop the ELMS and any issues not covered by the Phase 1 projects. Defra has agreed to take forward 72 projects and five have already been completed. It has said it will publish quarterly reports on them and the first quarterly report was published on 14th October 2020, although it was dated July 2020 and contained information that was up-to-date in May 2020.

The NAO has said that the tests and trials will not test the ability and willingness of farmers to engage directly with the new system. Instead, most of them are being run by environmental and farming organisations and so farmers' experience of the new system is through intermediary organisations and therefore will not provide a strong indication of likely take-up in the longer term. The NAO has recommended that participation in the tests and trials is extended to include a wider range of farmers and other land managers, and Defra has now said this too.

Payments by results projects (2016 - 2020)

The projects pay farmers based on the environmental outcomes they achieve. They are also known as Results-Based Agricultural Payment Schemes (RBAPS).

The farmers in the East of England project in Norfolk and Suffolk are being paid for planting nectar plots for bees and other pollinators.

In Yorkshire, farmers in Wensleydale are being paid to manage species-rich meadows. The farmers annually assess the well-being of habitats against a set of agreed indicators to achieve an overall 'health' score. From this self-assessment, they can measure their success and set targets for the following year. For meadows, the greater the number of plant species, the higher the payment, ranging from around £100 – 400 per hectare.

After three years of the project, both areas found the environmental performance was higher under payment by results than under conventional schemes. The farmers involved liked the flexibility of the schemes, being recognised for the work they are doing and the lower bureaucracy.

What is learned from these projects will undoubtedly be considered in the design of the new ELMS.

The first three years were funded by the EU. Defra has agreed to fund an additional two years, leading Michael Gove to claim that these projects are the first agri-environment schemes directly funded by the UK.

⁵ Defra received 113 proposals for phase 1 and selected 49 to begin in April 2019. Most (28) came from environmental organisations including AONB boards and National Park authorities. Relatively few are being run directly by farmers or farming organisations.



Review of Countryside Stewardship Facilitation Fund shows it has a range of positive benefits

One of the priorities of the tests and trials programme is collaboration. The review, carried out by FERA for Defra, found that facilitated groups had:

- Improved environmental outcomes through better alignment of option uptake, land manager capability and improved wider environmental management.
- Option richness and diversity were significantly greater in facilitated agreements compared with other AES agreements in the area.
- A positive impact on connectivity of habitats, leading to more resilient landscapes.
- There were also indications that group membership was encouraging uptake of more challenging options.
- A wide range of social capital benefits including improved trust, collaboration, communication and relationships.

It feels like facilitated groups, working over landscape or catchment scale, is a good model for ELMS.

National pilot (late 2021 - 2024)

The national pilot involves rolling out options from the tests and trials on a larger scale, and involving a significant number of farmers. It will test the full approach to future payments. The pilot will have a **modular structure**, and will test three main things:

- How best to construct **different types of ELMS agreement at different scales**.
- How to **target ELMS incentives** to deliver specific environmental outcomes in specific areas.
- Underlying **scheme mechanics**.

This phase is due to start in late 2021 and Defra has said that it wants to involve the following numbers of land managers in the national pilot:

	2022 ⁶	2023	2024	2025	2026	2027	2028
Number of land managers signed up	1,250	8,125 (est)	15,000	31,875 (est)	48,750 (est)	65,625 (est)	82,500

We think the 2028 target is unrealistic and feel that 55,000 agreements, which is three times the number of current Countryside Stewardship and Higher Level Scheme agreements (i.e., 55,500 agreements compared with 18,500), is still ambitious but more realistic⁷. The National Audit Office holds a similar view, saying that rural development programmes under the CAP have been consistently undersubscribed in England and that Defra has not yet done enough to demonstrate that it can achieve the wide-scale participation that it envisages.

The NAO has been quite critical of Defra’s planning of the pilot. It said in June 2019 that Defra does not have a plan for what it needs to achieve in each year of the pilot. It also said that it does not know whether the reduced scale of the pilot will provide sufficiently robust evidence across the range of farm types and locations to inform further development of the ELMS programme.

Can Defra design and implement the new ELMS within the 10 years it has given itself?

The NAO says that even the 10-year timeline proposed for the programme may be insufficient.

It says that Defra had not yet carried out adequate scenario planning to demonstrate the overall impact of its proposals on agriculture or the overall economy. It has ‘serious concerns’ that the programme will move too quickly and that sensible precautions, information systems and planning will not be in place and farmers will be unable to prepare in the way they need.

How payments under ELMS will be decided

Defra originally said it would set out its payment methodology in March 2020 and its payment rates in June 2020, less than a year before sign-up to the national pilot starts. Neither have been published.

⁶ Number is Defra’s current target for sign up by the end of each of the years. Defra has published targets for 2022, 2024 and 2028 only, so we have assumed straight-line increases between them, which are labelled ‘est’ in the table. Initially, Defra planned to include 5,000 farmers in the first year of the pilot in 2022, with a further 5,000 in each of years two and three. However, following more detailed assessment, it has scaled back its ambitions for the first year to 1,250 farmers, while retaining its ambition to reach 15,000 by the end of the three year pilot in 2024. Source: National Audit Office (NAO). Early review of the new farming programme report. (June 2019).

⁷ 55,000 agreements would be very large percentage of the 64,000 holdings over 20 ha in England; the 64,000 holdings cover 8.9 m ha or 97% of utilisable agricultural area in England; see Agriculture in the UK Table 2.4.

It commissioned two teams to advise it on the most effective and efficient ways of rewarding land managers for environmental land management. Strutt & Parker is a member of one of the teams, which is led by ICF.

And finally...

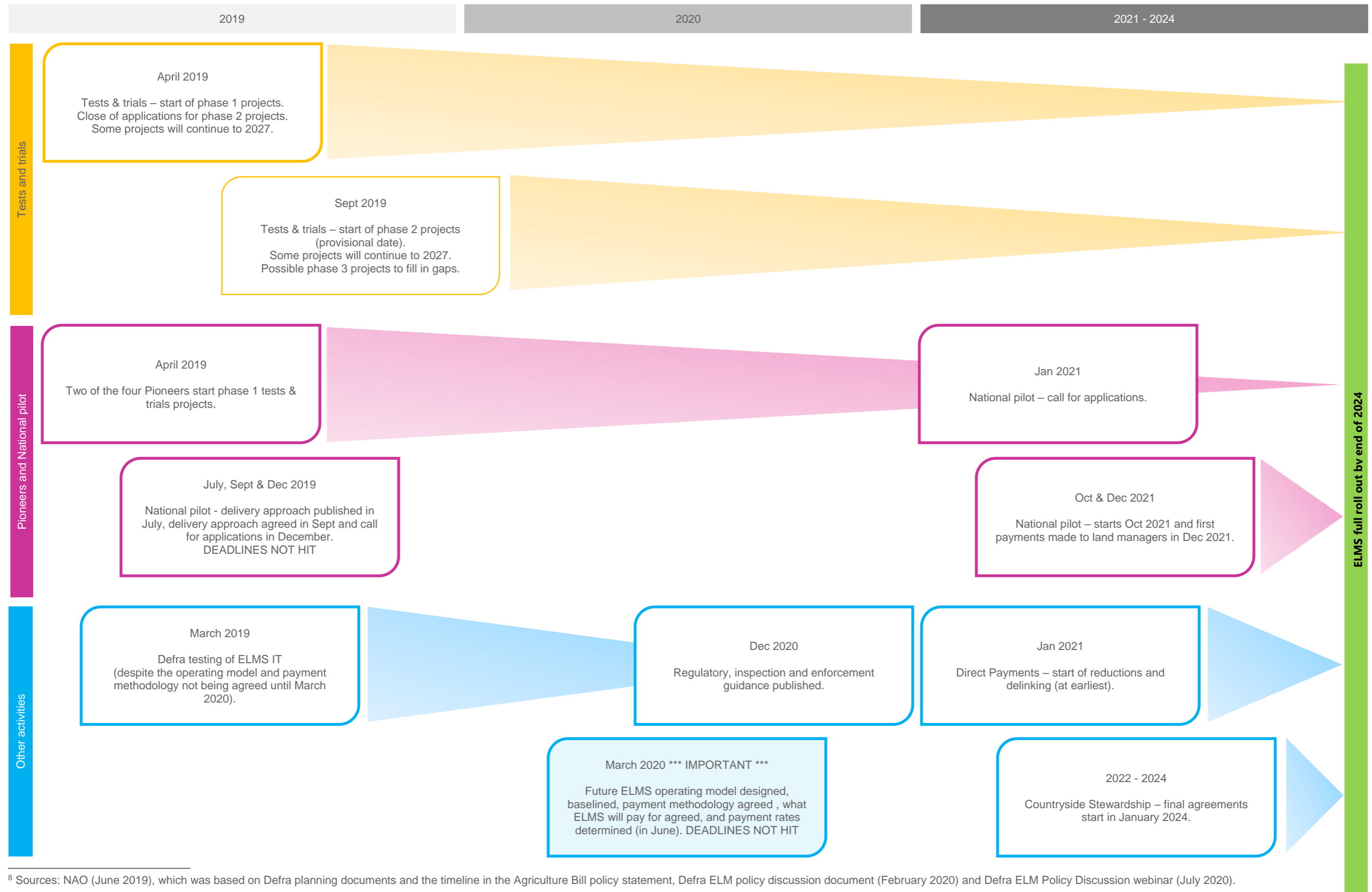
‘The success of the Programme depends on key assumptions about take up and how the farming community responds to these changes. In introducing a system based on payments for environmental outcomes, Defra is assuming a level of take-up that has not been seen on previous environmental schemes and that the withdrawal of direct payments to farmers will be offset by productivity gains across the sector.’

National Audit Office, June 2019



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ELMS timetable to 2025 (correct as at July 2020)⁸



⁸ Sources: NAO (June 2019), which was based on Defra planning documents and the timeline in the Agriculture Bill policy statement, Defra ELM policy discussion document (February 2020) and Defra ELM Policy Discussion webinar (July 2020).