

2021 — ENGLAND

# Basic Payment Facts

The pocket-sized summary of Basic Payment Scheme rules and guidance on the future of farm funding.

We're here for the Next Chapter.  
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**This briefing is a summary only of  
the relevant details as at March 2021**

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**For full information please contact your local Strutt & Parker  
farming team or refer to the relevant  
Rural Payment Agency (RPA) guidance online.**

# 1. Basic Payment Scheme 2021 - What has changed and why?

In 2021 DEFRA is taking the first major steps towards its new vision of agricultural support under the Agriculture Act 2020. This is the first year in which farmers will see their Basic Payments cut back as part of the phased removal of this scheme.

There are also other more welcome changes introduced for 2021. The complex Greening rules have been removed so there is no longer a requirement to provide Ecological Focus Areas, or to comply with the illogical Crop Diversification rules.

Cross-border applications will no longer need to be submitted together. So businesses with claims in, for example, England and Scotland will be able to submit claims individually to the relevant payment agency rather than combining them.

Cross compliance inspections will be carried out in a slightly different way with information provided before the inspection about the types of records the inspector will need to check. Any penalties for breaches will be more proportionate.



## 2. Claiming Basic Payment 2021

The claim deadline for the Basic Payment Scheme (BPS) in 2021 is midnight on 17th May. Applications can be changed until 11th June without receiving a penalty. Late applications can be submitted up until 11th June but these will receive a penalty. This year the RPA has also extended the deadline for submitting supporting documents to 11th June.

### A. Active farmers

Since 2018 it has no longer been necessary to be an *'Active Farmer'* in order to claim BPS. However, note that BPS can be claimed only by 'a Farmer'. A farmer is defined by the RPA as an entity which "produces, rears, or grows agricultural products" and/or "keeps some land in a state suitable for grazing or cultivation".

### B. Eligible land, land use and land cover

Land claimed must be eligible for the scheme; this includes any land used for an agricultural activity defined as arable land, permanent grassland and permanent crops, and mapped as such on the RPA online system.

Farmers must declare on their BPS claim all of the agricultural land parcels on their holding, and they must confirm the correct land use for each land parcel from the list of options provided.

The first thing that farmers should check before making their BPS claim is 'Land Cover'. It is essential that the correct land cover is showing on the online map (permanent grassland, arable, permanent crops, or non-agricultural area). Land cover cannot be altered online but, in most cases, the RPA will change it swiftly over the phone.

### C. Minimum claim area

The minimum claim area is 5ha. Those with less land – or entitlements – will not be eligible to claim. The minimum parcel size is 0.10ha.

### D. Land at your disposal

Land used to activate entitlements must be at the claimant's disposal on 17th May of the scheme year.

It is possible to permit a third party to graze livestock on land which the landowner is claiming to have at their disposal, and a well-written cropping licence should also be satisfactory in some circumstances on arable land. Written agreements are vital in order to confirm the rights and obligations of the parties.

## E. Dual use

Dual use applies where one farmer is claiming BPS and another farmer or land manager is claiming Environmental Stewardship, Countryside Stewardship or Woodland Grant Scheme payments on the same parcel(s) of land. Dual use is permitted for existing Environmental Stewardship and Woodland Grant Schemes as well as Countryside Stewardship Schemes. Both parties must meet the rules for the schemes they are under, and written evidence for all dual use situations must be kept by both parties.

## F. New farmer

A *'New Farmer'* can apply for new entitlements. To qualify as a new farmer the claimant must satisfy a number of conditions including not having carried out any agricultural activity in the five years before their new business started, and confirming that they have made their first BPS claim within two years of the year in which they started farming.

To qualify, a *'New or Young Farmer'* certificate must be completed by a solicitor or accountant to confirm they have seen documentary evidence that the claimant qualifies.

## G. Young farmer payment

A *'Young Farmer'* is someone who is at least 18 years old but not more than 40 years old in the year of their first BPS application (i.e., they cannot become 41 years old within that first calendar year of claiming the Young Farmer payment). They must be *'in control'* of the business which is applying for BPS (definition of *'in control'* is set out by the RPA). They must have made their first successful BPS application within five years of taking control of the business.

The Young Farmer payment can be claimed for five years starting from the year they make their first Young Farmer claim. This means that it is now possible for farmers aged over 40 to claim the Young Farmer payment, providing they met the age criteria in their first year of claim. Their Basic Payment will be topped-up by up to an additional 25% for the first five years after they started farming or took control of the business. This top-up will apply on up to 90ha only.

To claim Young Farmer for the first time, it is necessary to complete a Young Farmer form and have a certificate completed by a solicitor or accountant. If the Young Farmer payment has been claimed previously and there have been no

changes to the business structure, then there is no need to submit a new form or certificate; in this case the payment can be claimed by ticking the relevant box on the claim.

## H. 'Progressive Reductions' for BPS payments

BPS claim values will fall in 2021 compared with the 2020 claim. The overall ceiling for England has been confirmed at £1.845 billion and this is the same as in 2020. However, as payment rates will be lower, not all of this will be spent on BPS. What is left will fund the new schemes.

The reductions in Basic Payments which are to apply over the next four years, including the reduced 2021 rates, are as follows:

PAYMENT BAND	SCHEME YEAR			
	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000- £50,000	10%	25%	40%	55%
£50,000 - £150,000	20%	35%	50%	65%
More than £150,000	25%	40%	55%	70%

The bands operate like income tax 'slices'. This means that payments per hectare will vary depending on which band you fall into.

The cutbacks apply to the full BPS value, including any Young Farmer payment. The reductions between 2025 and 2027 have not yet been published. DEFRA has confirmed that the 2020 BPS will be the baseline from which cutbacks will be calculated.

The Strutt & Parker BPS calculator can be used to show the effect of this on individual businesses (contact a member of the Farming Department for more information).

## I. Greening

Greening has been removed for the 2021 and all subsequent scheme years.

### 3. Key upcoming changes and new schemes

We encourage all farmers to keep up-to-date with plans for new schemes and changes to existing ones over the coming years. We have summarised below a selection of the elements that we feel will be most relevant and of interest for progressive farm businesses and these are analysed in more detail in regular updates on our Rural Hub:

- **Environmental Land Management (ELM) scheme**

- This will be the main farming support scheme and will be divided into three elements. Although it will be launched in full in 2024, the element which will be of most relevance to the majority of farmers will be launched in early 2022. This is the **Sustainable Farming Incentive (SFI)**, for which the pilot opens this year – see over.
- Other elements will be **Local Nature Recovery** – for individual farmers and farmer clusters; and **Landscape Recovery** which will focus on large-scale habitat creation and restoration, such as forestry, peatland and coastal marshes. Pilots for these elements are also due to start in 2021.

- **Sustainable Farming Incentive – Pilot scheme**

- NB This is a pilot test only, not the actual scheme. It will be open to a few hundred farmers only.
- This is open for expressions of interest from March 2021 and DEFRA will invite successful applicants to take part over the summer, with the first pilot agreements starting in October 2021.
- Farmers who are accepted onto the pilot will be paid for the land management options that they choose, along with a pilot participation payment to reflect the time and costs associated with taking part.
- Farmers will choose from eight standards to build their own SFI agreements and additional standards will be introduced as the pilot progresses. Initially, the payment rates offered will be in line with those available under Countryside Stewardship, but as the pilot proceeds the payment rates are expected to evolve.
- The actual scheme will open to all farmers in 2022.

- **Capital grant schemes**

- An important part of the Agriculture Act 2020, alongside the ambitions to protect and restore the environment, is the recognition that farming will need help to adjust to life without Basic Payment and that the industry needs to improve in terms of productivity.
- In autumn this year we are expecting the **Farming Investment Fund** to open, with capital grants available for the purchase of a wide range of technology and equipment, from weather stations to reservoirs. The scheme will be split into two strands for lower and higher value investments, called the **Farming Equipment and Technology Fund** and **Farming Transformation Fund** respectively, and be based on the now closed Countryside Productivity Scheme.
- Various other initiatives will also be consulted on and launched over the coming months, including:
  - i) **Farming in protected landscapes:** Additional funding to support farmers, particularly upland farmers, to make improvements to the natural environment, cultural heritage and public access on their land.
  - ii) **Animal health & welfare:** Financial incentives to help farmers improve health and welfare.
  - iii) **New entrants:** A scheme to open up new opportunities on council holdings and with private landowners.
  - iv) **Slurry Investment Scheme:** Grant funding for new slurry stores and equipment to protect the environment.
  - v) **Research & development:** Funding to support projects designed to provide a step change in agricultural productivity.
  - vi) **Farming resilience:** Advice and support for farmers during the transition away from Basic Payments.
  - vii) **Skills, training and benchmarking:** The formation of a new Institute for Agriculture and Horticulture which will deal with apprenticeships and 'T-level' qualifications.



- **BPS Retirement scheme proposals (aka lump sum exit scheme)**










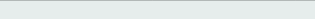



- A consultation is expected shortly on the proposal to permit BPS claimants to receive a capital sum in 2022 (being the compounded value of remaining BPS claims up to 2027) in return for retiring from the industry. It is expected that this payment might be worth approximately three times the value of 2020's Basic Payment claim value i.e. around £600/hectare, so for a 200ha farm would equate to £120,000. This may be sufficient to speed up decision making about retirement, but we feel it is unlikely to persuade swathes of farmers to bow out and hand on the baton to the next generation. We do not know what the tax treatment of this lump sum would be, and this will be an important factor for anyone considering this.

- **BPS delinked payments**

- We are also expecting a consultation shortly on delinking. Under current plans, from 2024 onwards the remaining BPS payment entitlements will be delinked from the land. Instead, payments to BPS claimants will be based on an historic reference period – but we do not yet know when this period is. After delinking there will be no need to match eligible land with entitlements to receive a payment. Farmers may therefore wish to maximise their BPS claim areas in the next couple of years in the expectation that payments from 2024 will be based on past claim values. It is not yet known how this may affect those who take on land or reduce land areas between the reference period and delinking but this is one issue we expect to be covered in the consultation.

## Timetable for BPS and new schemes

This table shows the 'expected' dates published by DEFRA which are subject to change.

	2021	2022	2023
<b>Basic Payment Scheme</b>			
Farm resilience support	Further info 3/21 Open 6/21		
'Progressive Reductions' to BPS payments	5 - 25% cuts	20 - 40% cuts	35 - 55% cuts
Retirement scheme proposals (aka lump sum exit scheme)	Consultation Further info 9/21	Open	TBC
Delinked payments	Consultation		
New Entrants Support Scheme	Consultation Further info 11/21	Open	
<b>Environmental Land Management (ELM) scheme</b>			
Countryside Stewardship	Open		
Sustainable Farming Incentive (previously Tier 1)	Pilot starts	'Early elements' of scheme open	
Local Nature Recovery (previously Tier 2)	Pilot recruitment starts	Pilot starts	
Landscape Recovery (previously Tier 3)	Pilot recruitment starts	Pilot starts	
Tree Health Scheme	Further info 4/21 Open 8/21		
Farming in protected landscapes	Starts 4/21		
<b>Farming Investment Fund</b>			
Farming Equipment and Technology Fund (smaller grants, simple application process)	Further info 4/21 Open 10/21		
Farming Transformation Fund (larger grants, two stage application process)	As above		
Slurry Investment Scheme	Consultation	Further info 2022 Open	
<b>Other schemes</b>			
Animal health and welfare pathway	Consultation	Open small and large capital grants	Continues Open pilot payment-by-results
Regulatory reform	Starts		
Innovation Research and Development Scheme	Further info 10/21	Open	

NB: We have included some current schemes to show how they will dovetail, for example Countryside Stewardship and ELM.



## 4. And finally

We have produced a number of briefings and tools to help inform and guide farmers and landowners at this pivotal time. These can all be found online at our Rural Hub ([rural.struttandparker.com](http://rural.struttandparker.com)) and include the following:

- **BPS calculator 2021-2028**
  - To show how Basic Payments are likely to reduce from 2020 to 2028.
- **Net profit calculator 2020-2018**
  - To show the effect on net profits of changes in farm support & the introduction of ELM.
  - It produces a bespoke, two-page report for any farm. It produces estimates based on three scenarios - our standard assumptions plus an optimistic and a pessimistic one - for profits from farming, agri-environment, diversification and Basic Payments.
- **Sustainable Farming Incentive pilot scheme explained**
- **The Path to Sustainable Farming – Six things you need to know**

## Date Diary for 2021 Basic Payment Scheme

<i>January</i>	<b>1st</b>	Start of BPS year
	<b>1st</b>	End of closed period for applying high N organic manure to grassland and tillage land with shallow or sandy soils (but quantity restrictions for application of high N manures still apply). (SMR 1)
	<b>1st</b>	Start of period for calculating the annual livestock manure limit. Risk map must be completed if you spread organic manure on your holding. (GAEC 1 & SMR 1)
	<b>16th</b>	End of closed period for spreading manufactured N fertilisers on grassland and tillage land. (SMR 1)
<i>February</i>	<b>1st</b>	End of closed period for applying high N organic manure to grassland and tillage land on all soil types (but quantity restrictions for application of high N manures still apply). (SMR 1)

**Key**

**Red:** critical for Basic Payment claims

**Green:** anything to do with Nitrate Vulnerable Zones

<i>March</i>	1st	From this date, you must not cut hedgerows or trees (although coppicing and hedge laying can continue until 30th April (GAEC 7A and 7C), or cast up traditional hedgebanks. (GAEC 7A)
	1st	End of quantity restrictions for applications of high N organic manures. (SMR 1)
	18th	BPS application window opens, along with Countryside Stewardship & Environmental Stewardship Scheme revenue claims.
<i>April</i>	1st	The Environment Agency will make abstraction return forms available to those with winter, or all year round, abstraction licences. These need to be returned within 28 days. (GAEC 2)
	1st	You must not burn heather, rough grass, bracken, gorse or vaccinium on land other than in upland areas, from this date. (GAEC 6)
	16th	You must not burn heather, rough grass, bracken, gorse or vaccinium in upland areas from this date. (GAEC 6)
	30th	You must have recorded the number of 'specified' livestock kept on the farm during the previous calendar year and calculated the amount of N they produced. (SMR 1)
<i>May</i>	1st	You must not carry out hedge laying or coppicing from this date. (GAEC 7A)
	17th	Closing date for notifying the RPA of entitlement or land transfers to take effect for this claim year.
	17th	Closing date for BPS applications (without incurring penalties) and closing date for Countryside Stewardship & Environmental Stewardship Scheme annual claims.
	31st	Final date for making certain amendments to your 2021 BPS application without incurring penalties.
<i>June</i>	11th	Final date for submitting your 2021 BPS application (after which penalties will be incurred).
	11th	Deadline for making any amendments to a previously submitted application (no penalties will apply), and deadline for RPA to receive supporting evidence.
	30th	Payment window for 2020 BPS closes.

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<i>August</i>	1st	Start of closed period for applying high N organic manure to tillage land on shallow or sandy soils except where crops will be planted before 15th September. (SMR 1)
	1st	Farmers who have been granted a derogation under GAEC 7A will be able to cut hedges from this date.
<i>September</i>	1st	You can cut hedgerows and trees from this date (GAEC 7A and 7C), and cast up traditional hedgebanks. (GAEC 7A)
	1st	Start of closed period for: - applying manufactured N fertiliser to tillage land (SMR 1), and - spreading high N organic manure on grassland with shallow and sandy soils. (SMR 1)
	15th	Start of closed period for applying manufactured N fertiliser to grassland. (SMR 1)
<i>October</i>	1st	You may burn heather, rough grass, bracken, gorse or vaccinium on land in upland areas from this date. (GAEC 6)
	1st	Start of closed period for spreading high N organic manure to tillage land on soils which are not shallow or sandy. (SMR 1)
	15th	Start of closed period for spreading high N organic manure to grassland on soils which are not shallow or sandy. (SMR 1)
	31st	The Environment Agency will make abstraction return forms available to those with summer abstraction licences. These need to be returned within 28 days. (GAEC 2)
<i>November</i>	1st	You may burn heather, rough grass, gorse or vaccinium on land other than in upland areas from this date. (GAEC 6)
<i>December</i>	1st	You need to carry out your annual inventory of sheep. (SMR 8)
	1st	Payment window opens for BPS 2021 claims.
	31st	End of BPS year.

**Key**

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