

2023 - ENGLAND

Basic Payment Facts

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

**STRUTT
& PARKER**

BNP PARIBAS GROUP 

**This briefing is a summary only of
the relevant details as at March 2023.**

**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 2023

– what has changed?

The Basic Payment Scheme (BPS) will be brought to an end following the 2023 scheme year, making 2023 the final year of BPS claims.

The 2023 BPS claim value will be lower than previous years as the **'progressive reductions'** continue and the table on page 8 shows the approximate payment reductions for different claim values.

From 2024 the payments will be **delinked** from the land and paid automatically to eligible businesses until the scheme is phased out in 2028. To be eligible for delinked payments the business must submit a BPS claim (on at least 5ha) in 2023, and the delinked payment will be based on the BPS payment received during the reference period 2020 to 2022. The delinked payment will be made even if the business is no longer farming or occupying land.

Cross Compliance rules continue during the 2023 scheme year, but they will no longer be relevant to the delinked payments, or any other rural payments (eg agri-environment schemes) from 2024 onwards.



2. Claiming Basic Payment 2023

The claim deadline for the Basic Payment Scheme (BPS) in 2023 is midnight on **15th May**. Applications can be changed until midnight on 9th June without receiving a penalty. Late applications can be submitted up until 9th June but these will receive a penalty.

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" i.e. carrying out an "agricultural activity".

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 **15th 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. A New Farmer, claiming BPS for the first time in 2023, will not receive the delinked payments from 2024 onwards, because they will not have received any BPS payment in the reference years of 2020-2022.

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 up to five years starting from the year they make their first Young Farmer claim. Their Basic Payment will be topped-up by up to an additional 17.5% 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. 2023 is the last year in which the Young Farmer payment will be made.



H. 'Progressive Reductions' for BPS payments

BPS claim values will fall in 2023 compared with the 2022 claim. The overall ceiling for England has been confirmed at £1.845 billion; the same as in 2020, 2021 and 2022. However, as BPS payments are cut back by progressive reductions, only part of this amount will be spent on BPS. What is left will be used to fund the new schemes such as Sustainable Farming Incentive (see below).

The progressive reductions (compared with the 2020 values) are as follows:

PAYMENT BAND	REDUCTION PERCENTAGE			
	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 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. Entitlements

As in the past, for BPS 2023 claimants must hold one BPS entitlement on 15th May for each hectare of land on which they claim BPS. However, after 15 May 2023 entitlements will no longer be needed, and so any entitlements on business balance sheets will have a nil value after this date.

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** (rural.struttandparker.com):

Defra made a major announcement on all three Environmental Land Management schemes on 26th January 2023.

The aim was to provide as much detail as possible on the government's thinking on the schemes, and the options that will be available under the schemes, in the coming months and years.

The announcement appeared to give land managers as much information as possible in an attempt to boost the numbers entering schemes. The government's target is to double the number of land managers and area of land in agri-environment schemes by 2028, to at least 70,000 agreements, covering 70% of farmed land and 70% of all farms. How the schemes are operating, payment rates and barriers are all expected to be kept under review by DEFRA. This is ambitious but not impossible.



A) Sustainable Farming Incentive (SFI)

SFI launched in 2022 with a limited number of standards covering:

- Arable and horticultural soils standard
- Improved grasslands soils standard
- Moorland and rough grazing standard

The entry requirements are relatively low; involving (for example) soil management plans, soil organic matter testing, and a commitment to maintain green cover over the winter. The payments are also modest at – for example £22/ha for the introductory arable soil standard and £40/ha for the intermediate standard. The agreements run for three years.

Defra's January update announced that it would release six new standards later in 2023, including on hedgerow management, ending insecticide use, natural pest management, companion cropping, grassland management for improved and low-input grassland. Agreement holders will be able to implement the new standards alongside any existing standards (eg soils standard) and alongside existing CS agreements.

Further standards are expected to be launched in 2024 on organic farming, agro-forestry and public engagement.

B) Local Nature Recovery/Countryside Stewardship

Defra announced in January that rather than launch a new Local Nature Recovery scheme, they would simply continue the existing Countryside Stewardship scheme (CS). This will continue to operate largely as it has done since it was launched in 2015 albeit with a number of new options available from 2024 including an incentive to work jointly with other farmers to join up habitats through 'Countryside Stewardship Plus'.

Capital grants are available through CS, and payment rates for both capital and revenue options have been reviewed most recently with effect from 1st January 2023. Farmers can hold CS and SFI agreements on the same property but payments will be adjusted automatically by the RPA so that – for example – SFI payments are not made on land already being used for CS options.



C) Landscape Recovery (LR)

This is intended for radical and large scale land use changes (of between 500 – 5000 hectares each) for environmental improvement. The aim is to encourage wilder landscapes and habitats, restored peatland, and large scale tree planting. In 2022 funding was awarded to 22 projects covering over 40,000 hectares. The second round of applications (with a focus on net zero, protected sites and habitat creation) will open this spring and Defra is intending to provide funding for 25 projects.

• Capital grant schemes

The **Farming Investment Fund** is made up of two distinct schemes:

- The **Farming Equipment and Technology Fund** provides grants between £1,000 and £25,000 towards specific items of equipment which can help boost productivity and improve animal welfare. The Productivity and Slurry Scheme closed for this year on 4th April but is expected to open again for new applications in early 2024. The Animal Welfare Scheme opened for applications on 23rd March and will remain open until 15th June.
- The **Farming Investment Fund** provides grants for larger capital items and is currently closed for new applications. Speak to your Strutt & Parker contact about applying for future rounds of this scheme.

- The **Farming in Protected Landscapes (FIPL)** scheme was launched in 2022 and continues through to March 2025. This provides grant funding to farmers in AONBs, National Parks, and the Broads. The funding is administered through local protected landscape bodies and will contribute towards projects which help result in improvements to climate, nature, people, and place/landscape. The benefits we have found with this scheme are that farmers can apply for a wide range of projects by way of a simple screening process which is dealt with locally. Grants have been awarded for fencing, walling, hedge planting, management plans and environmental surveys.



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)** and include the following:

- **BPS calculator 2021-2028**

- To show how Basic Payments will reduce from 2020 to 2028.

- **Net profit calculator 2020-2028**

- 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.

- **Arable volatility budgeting tool**

- Not only are farm businesses coping with the removal of the BPS, but they are also trying to navigate one of the most volatile periods in modern history in respect of input costs and output values. This tool can be used to help forecast arable margins by setting certain parameters and applying simple rules.

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