



<u>Committee and Date</u> Shropshire Hills AONB Partnership 24 th November 2020	<u>Item</u> 6
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ENVIRONMENTAL LAND MANAGEMENT (ELM) SCHEME TEST & TRIALS IN THE SHROPSHIRE HILLS AONB

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Summary

This paper provides background material to support brief presentations which will be made on the various ELM Test & Trials currently operating in the Shropshire Hills AONB.

Recommendation

The Partnership is recommended to note and comment on the information provided.

Background

The Agriculture Act was passed into law on 11th November and enshrines a key principle of public money supporting farming in future being tied to the delivery of public benefits. Direct payments to farmers will be phased out over a transition period to the end of 2027, and one of the main mechanisms being developed to fund the delivery of public benefits is the Environmental Land Management Scheme (ELM).

Through a bidding process, Defra have commissioned and funded a series of Tests & Trials around the country, each looking at a particular theme. These will be followed by Pilots, with the full scheme expected to be rolled out fully in 2024, when it will replace the existing agri-environment schemes (Countryside Stewardship, etc).

Each Test & Trial reports to Defra directly, and the latest headline findings are in Appendix 1. There is no particular requirement for local networking, but the aim of this item is to share information on the Tests & Trials which are operating in the AONB. These are:

- National Trust led Test & Trial in the Stepping Stones area focussing on the role of Whole Farm Plans. This Test & Trial is working with an Upper Onny Farmers group brought together for this purpose. Cath Landles from the AONB team has been contracted to lead much of the farmer engagement. The plans themselves are being produced by consultant farm advisers. Andrew Hearle from the National Trust will present briefly on this.
- NFU Test and Trial focussing on the role of farm advice, across Shropshire. Sarah Faulkner is not able to be present at the meeting but has supplied information for a short presentation.

- Soil Association Test & Trial Testing the Public Goods Tool for ELM. Karen Fisher of the Soil Association will present briefly on this.
- Lizzie Hulton Harrop of Pollardine Farm, Gatten, is leading a Test & Trial looking at landowners working together. Lizzie will present briefly on this.
- Shropshire Wildlife Trust Test & Trial 'Connecting the Clees' in the Clee Hills. We hope that a representative of the Wildlife Trust will present on this.

Other relevant activity:

NAAONB 'Farming for the Nation' ELM Test & Trial

A dozen AONBs are working on a collaborative national test & trial. This will help to inform the role of AONB teams in the scheme.

NAAONB ELM Advocacy project

Defra funding has recently been secured for AONB teams around the country to undertake a small amount of farmer engagement work on ELM in the period up to March 2021. This is intended to add to other work being carried out and gradually to develop the anticipated role of AONB teams to support (rather than directly deliver) the ELM scheme.

List of Background Papers

Further back ground information available at:

<https://www.gov.uk/government/publications/the-environmental-land-management-scheme-an-overview/the-environmental-land-management-scheme-public-money-for-public-goods>

Environmental Land Management tests and trials Quarterly evidence report July 2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925522/elm-tt-july20.pdf

Human Rights Act Appraisal

The information in this report is compatible with the Human Rights Act 1998.

Environmental Appraisal

The recommendation in this paper will contribute to the conservation of protected landscapes.

Risk Management Appraisal

Risk management has been appraised as part of the considerations of this report.

Community / Consultations Appraisal

The topics raised in this paper have been the subject of earlier consultations with Partnership members.

Appendices

Appendix 1 Extract from Defra Environmental Land Management tests and trials Quarterly evidence report July 2020

Headline findings and learning points by priority theme

The following section outlines the headline points gathered to date by each priority theme and some case study highlights. As many tests and trials are still in early stages, in future reports we will be seeking to understand where there is consensus with or divergence from some of these points, as well as drawing out additional points. This quarterly report covers findings that have been shared **to the end of May 2020**. We have ordered the key findings under each priority theme, with some points about cross-cutting findings and potential gaps drawn together in the final section.

Land Management Plans – Headline findings

- There is a consensus that land management plans are an important building block for ELM in setting out what participants of the scheme will deliver, how and by when.
- Tests and trials are beginning to provide learning for land management plan design principles on content, format, scale, function and data requirements. Clarity on purpose of the plan will inform what it needs to contain and the best way of presenting that information.
- Land management plans will need to balance the complexity of natural capital mapping, land management activity and public good delivery with simplicity in terms of content and format. It needs to be useful for farmers and land managers in delivering their agreement.
- Land management plans should include an environmental baseline, a map and a potential public goods delivery assessment.
- A different approach will likely be needed for different spatial scales. At the farm or holding level, there is a preference for a plan that covers the whole farm or holding. However, concerns have been raised about the time and data required to complete a land management plan, particularly for larger holdings or estates.
- There is an emerging consensus that providing a land management plan template or guide would be welcome, but this shouldn't be too restrictive as one size will not fit all. Some tests and trials are exploring the applicability of existing templates and 13 will provide land management plan templates or content recommendations as a key output.
- Participant farmers and land managers have responded positively to using apps and digital tools to support their land management planning, but there needs to be a choice to ensure accessibility. Advice and facilitation will be important if relying on digital tools, particularly for smaller farmers. There remains value in using paper documents and maps.
- Involving farmers and land managers in developing a land management plan can help to increase understanding of natural capital and public goods and how they can be delivered alongside commercial activity. However, the role of an advisor is key in accessing and interpreting data, applying this to planning tools, and supporting farmers and land managers to make decisions about their plans.
- There are challenges around data – in terms of accessibility, gaps, numerous sources, and costs. Affordable, publicly accessible data would be welcome. It would also be helpful if datasets are able to be integrated into a single system or platform to aid the comparison and transfer of data.

- There are differing views on whether plans should be made public. Making land management plans public will help farmers and land managers to communicate the environmental benefits and public goods they are delivering, increasing transparency. Some participant farmers would prefer that sensitive business data is not made public.

Advice and Guidance - Headline findings

- Expert advice has a **key role** to play within a new ELM scheme in terms of: land management planning, increasing take up of the new scheme, encouraging behaviour change, monitoring delivery of public goods and group facilitation.
- Advisors can also help 'level the playing field' in terms of supporting farmers and land managers to use **data and technology**.
- Advice is **needed throughout the scheme process** – from initial assessment to developing plans, to monitoring delivery and reviewing plans. In terms of monitoring delivery, some tests and trials are finding that participants are interested in self-assessment but would need support in developing indicators and how to measure these.
- Some tests and trials have found existing guidance can be focussed on adhering to rules. There is a preference emerging for **guidance** that focusses on **how to deliver** the best outcomes.
- There is **no clear consensus on who should pay** for advice. Some participants feel that as advice is an integral part of successfully delivering ELM and in achieving the environmental ambitions, it should be funded. However, where farmers and land managers see a clear financial benefit to paid advice, they may be more willing and able to pay for it.
- Farmers and land managers are likely to require access to a **range of specialist advice**. There may be value in having access to a 'general practitioner' with overarching knowledge, who can then signpost to specialists where required.
- There is an emerging consensus around what is important in an advisor including being personable and **honest**, consistent and having **good local knowledge**. Having strong environmental knowledge and being able to **communicate** that simply and effectively is also considered beneficial.
- There is emerging evidence of low levels of understanding around the new ELM scheme and key concepts such as public goods, natural capital and ecosystem services. Some basic guidance and 'how to' guides to help farmers to understand expectations and best practice would be welcome.

Spatial prioritisation - Headline findings

- Most of the tests and trials looking at spatial prioritisation are still in the data collation phase. Feedback indicates there are currently multiple data sources but **data availability, accessibility and consistency** vary dramatically. Feedback indicates that consistent, open-access data would be welcome.
- The availability and accessibility to data varies dramatically across the country, particularly in the case of **local data sets**, so the level of detail required for spatial prioritisation is not always readily available.
- Spatial prioritisation data needs to be **available to farmers and land managers**, but **support may be required** to interpret this and apply to their holdings through, for example, an advisor. Other tools such as a 'score card' outlining local priority outcomes could help to simplify the process for land managers, but this requires further testing.

- There are potential benefits to **incorporating local information and knowledge** in determining local priorities including: increasing ‘buy-in’ from both land managers and local communities; increasing a sense of ownership of delivery and encouraging collaboration.
- There is a value to incorporating **local knowledge** alongside ‘hard’ data. Some participants also felt that **‘social data’**, such as collaboration and local stakeholder and community needs, should be included alongside ecological data in determining priorities, but there wasn’t a clear consensus. There are tests and trials looking at how to incorporate priorities of local communities, but these are at an early stage of delivery.
- Participant farmers and land managers feel there is value in their **involvement in discussions and decisions on local priorities**. Farmers are best-placed to evaluate the appropriateness of delivering priorities on their land and have benefited from greater ownership and empowerment by being involved in the decision-making process.
- A number of tests and trials have highlighted that farmers are particularly **motivated by local rather than national priorities**. For example, in supporting efforts to restore local priority wildlife species or addressing context-specific issues such as flood mitigation and water management.
- Setting local priorities and increasing likelihood of effective delivery may require a **combination of ‘top-down’ and ‘bottom-up’ approaches**. A number of tests and trials are also looking at the role of local governance – including setting priorities, leveraging blended finance and, monitoring delivery but it is too early to share findings.

Collaboration - Headline findings

- There are emerging findings around common factors that enable effective collaboration including: the role of a **local trusted facilitator**, developing a **common goal** with clear benefits for those involved, and **financial incentives** (either immediate or future potential).
- There are numerous **models of collaboration** that could help to maximise delivery of environmental outcomes. These include, but are not limited to, land manager-to-land manager collaboration, facilitated cluster groups and formal partnerships, or engagement activity across a range of organisations and even the wider local community.
- Different collaboration models may be needed across different geographical locations and depending on the public goods being sought or delivered. The extent of existing collaboration between land managers **varies across geographies and sectors**.
- Many tests and trials looking at collaboration are in early stages but will provide a range of case studies to inform thinking on how to effectively encourage collaboration within ELM. This should add valuable insight on potential models to the wealth of research on the subject that already exists.
- There are emerging findings coming through our **innovative delivery mechanisms** tests and trials. Payment by Results and Reverse Auctions could support collaboration between farmers and land managers if they are run in a particular way. Conversely, where they increase competition between farmers and land managers, they could support existing collaboration relationships.

Payments - Headline findings

- There is an emerging consensus that the income foregone plus costs incurred approach is not a **strong financial incentive**. Farmers are often not compensated sufficiently for activity undertaken, particularly where capital costs are incurred, and the maintenance of existing assets is not rewarded under existing agri-environment schemes.
- Many farmers and land managers participating in tests and trials view a **tiered payments system** favourably and consider it an effective approach to incentivising different activities. For example, when delivering multiple benefits there could be stacked payments, such as with woodland creation and management, which is poorly supported under current schemes. Another example was a basic payment for asset maintenance, and additional payments for asset extension or condition improvement.
- A tiered payment approach could support **targeting priority habitats or species**. It could also include a financial uplift for **collaborating at landscape scale**, for example to connect habitats for nature recovery networks or catchment water management.
- Participants are positive about moving towards a more outcome-focussed payment approach. However, for **payment by results (PbR) approaches** more work is needed to determine the optimum basis for payments. There are also concerns around the impact of external risks to delivery and ensuring financial sustainability in a purely outcome-focussed approach.
- Ideas for balancing an outcomes-based approach with **financial sustainability** include: reducing cashflow concerns through an annual basic payment for participating, alongside payments for capital works, ongoing payments for maintenance and 'bonus' payment for delivery of outcomes. Longer agreements for creation and maintenance of natural capital assets such as woodland would be welcomed to provide financial stability ahead of delivery of outcomes.

- If moving towards a fully outcomes-based approach, farmers will need clarity on the potential **return on their investment**. Some tests and trials have found that private finance opportunities, such as carbon and biodiversity off-setting, could help to encourage take-up if ELM payments are not deemed a sufficient financial incentive.
- Some tests and trials have noted that participants would welcome a points-based approach to payments, but there are conflicting views on this. Concerns were raised around the options available and **regional variations**.
- There are currently conflicting views on the use of **reverse auctions**. Countryside Facilitation Fund (CSFF) participants felt this could drive a 'race-to-the-bottom' rather than encouraging the most effective outcomes.
- The CSFF groups also felt that there was **potential to encourage collaboration** through reverse auctions at a landscape scale, but if individual land managers were bidding this would increase competition and risk undermining collaboration. Emerging evidence supports the view that these are better placed for **landscape scale outcomes**, but our tests and trials on these are still in early stages.
- Feedback on collaboration has indicated that there needs to be a clear financial incentive to participants, for example through **managing efficiencies** in delivering public goods or having a **clear financial return** through ELM or blended finance options. There may also need to be funding made available for facilitators to initiate collaborative working.
- Many tests and trials are in early stages of applying **natural capital approaches**. Early feedback indicates that this is a complicated process, which requires capacity-building and/or **advisor support**. We do not yet have any substantial findings on the applicability of natural capital valuation to determining payment rates.
- In an outcomes-based approach, we need to establish effective **mechanisms for monitoring and evaluating outcomes** to inform both payment triggers and allow demonstration of value for money.
- Across our tests and trials, participants have indicated that **clarity on what the system will pay for and the payment rates** are critical to encouraging scheme take up and incentivising the desired activity.

Innovative Delivery Mechanisms - Headline findings

- Most tests and trials contributing to this theme are longer-term trials of over 12 months in duration. We therefore only have initial findings at this point.
- Participants of the **Payment by Results** (PbR) trials have indicated that they welcome the more flexible approach but do have financial concerns about a solely outcome-based scheme.
- The **benefits of a PbR approach** identified include an increased awareness of the value of the public goods that participants can provide on their land holdings and an increased buy-in to delivering local priorities. Participants have indicated that on-farm **advice and guidance** has played a key role in developing land manager awareness and capability.
- There are also emerging findings from the PbR Natural England trial in the Yorkshire Dales that the outcomes achieved are greater than under activity-based agri-environment schemes.
- There is emerging evidence from PbR trials around the benefits of **farmer self-assessment** alongside defined validation assessments including: capability building, commitment to improve and, good levels of accuracy.

- However, more work is needed on developing and testing **best practice guidance and outcome indicators** across the range of public goods. The monitoring of environmental outcomes is currently out of scope for the Tests and Trials programme. However, a number of tests and trials are developing or applying outcome measures and indicators or considering how aspects of assurance scheme standards could support this, which could provide important case studies.
- There are some positive findings emerging on the use of **Reverse Auctions**, particularly where there is a clear outcome being sought that also encourages collaboration between land managers. For example, water quality through a catchment-scale approach. We are testing other outcomes, but findings are limited as yet.
- In addition, the role of **well-established and connected delivery partners** and allowing enough lead-in time to ‘warm up’ potential participants have been highlighted as success factors.
- Participant feedback from completed auctions indicated a positive experience. The **reduced bureaucracy** for farmers was highlighted and there are some early indications that reverse auctions could help to **engage farmers and land managers** that have not previously participated in agri-environment schemes.
- Innovative delivery mechanisms may **not be mutually exclusive approaches**. For example, reverse auctions can apply aspects of PbR by releasing payment once delivery is achieved. Reverse auctions could also provide **a mechanism for leveraging blended finance**, where local public and private organisations can see a benefit to investment. For example, water companies in improving water quality.

Cross-cutting issues and gaps

Some **cross-cutting findings** include the following:

- The tests and trials underway reported **significant engagement** from farmers and land managers, indicating a clear interest and commitment to be involved in the co-design of ELM. However, test and trials project leads have emphasised the time investment needed to explain ELM and promote the opportunity to engage in tests and trials.
- There is an emerging consensus that, whilst some of the core concepts are applicable across different scales, geographies, sectors and land-types, there **needs to be flexibility** in application.
- A number of tests and trials are reporting current **low levels of understanding** around key ELM concepts such as public goods and natural capital, so some simple guidance and awareness-raising activity may be beneficial. Conversely, feedback indicates an increased level of understanding after engagement with a test and trial.
- The importance of **facilitation, advice and guidance** is coming through strongly across all the themes, as is **capacity building**. Some of these may require greater support at early stages of ELM, or when new participants join, but could potentially be reduced as knowledge increases.
- Whilst facilitation is considered a key driver in establishing collaboration, there is a potential gap in understanding whether collaborative models can be sustained without continued facilitation.
- There is an interest in moving away from the restrictive, punitive approach to monitoring and enforcement and towards encouraging **self-assessment and continual improvement**. Questions are being raised around the intersection between innovation and regulations.

- Getting the **financial incentives** right will be a critical success factor in ensuring take-up of the scheme and commitment to continual improvement.

In terms of potential **gaps**, participants at the thematic working groups were keen to ensure that ELM design adequately considers the **needs of specific participants or groups** including tenant farmers and those managing common land. We would also like to continue to increase the number of farmer-led tests and trials.

Our learning to date has also highlighted some policy themes that we may wish to explore further through our tests and trials, including: **monitoring and compliance** approaches; outcome indicators for **self-assessment**, and; interaction with **industry approaches** such as assurance schemes, standards and sustainable farming score-cards.