

Navigating Farming Support Schemes In 2023

[Slurry Investment Fund](#)

[Farming Transformation Fund](#)

[Farming Equipment & Technology Fund](#)

[Farming Investment Fund](#)

[Future Farming Resilience Fund](#)

[Productivity Funding](#)

[Delinking](#)

[The end of BPS](#)

[Lump Sum Exit Scheme](#)

[Farming in Protected Landscapes](#)

[Countryside Stewardship](#)

[Environmental Schemes](#)

[Local Nature Recovery](#)

[Landscape Recovery](#)

[Sustainable Farming Incentive](#)

[Environmental Land Management Schemes](#)



Navigating Farming Support Schemes In 2023

Following the success of the [Planning for Change FAS webinar](#) in July, Richard King of The Anderson Centre provides a run-down of current and future schemes with commentary of how farm business can approach decision making.

The Agricultural Transition is now well underway in England. The BPS payment that farmers are receiving this year will be at least a fifth lower than 2020. In just two years' time the amounts will have halved with larger farms having even greater reductions.

The funds released are being redirected to a suite of new schemes. Not all of them will be relevant to all farms, but it is important to keep abreast of what is available, and whether it makes sense on your farm, to ensure no opportunities are missed.

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<https://defrafarming.blog.gov.uk/>

The end of BPS

Figure 1: BPS Deductions 2021 to 2028

| Payment Bands | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|----------------|------|------|------|------|------|------|------|------|
| ≤£30K | 5% | 20% | 35% | 50% | 65% | 80% | 95% | 100% |
| >£30 - ≤£50K | 10% | 25% | 40% | 55% | 70% | 85% | 100% | 100% |
| >£50K - ≤£150K | 20% | 35% | 50% | 65% | 80% | 95% | 100% | 100% |
| >£150K | 25% | 40% | 55% | 70% | 85% | 100% | 100% | 100% |
| | | | | | | | | |

Sources: Defra and The Andersons Centre

IMPORTANT NOTE: the deductions from 2025 onwards have not been announced yet and the figures above are Andersons' estimates based on an arithmetic progression

[Calculate progressive reductions for your business here](#)

The BPS continues through to 2027 but payments are being phased-out.

Farmers need to make sure they comply with all the usual rules on entitlements, cross-compliance etc. whilst the scheme is still running.

Whilst the BPS continues until 2027 there will be two significant changes – **Delinking** and the **Lump Sum Exit Scheme**.

[Delinking](#)

(Follow the link above for more guidance on the gov.uk webpages)

- Delinking breaks the link between the occupation of land and the receipt of the BPS.
- Delinking will also mean the end of the cross compliance regime. Those who are still farming will still have to comply with regulatory standards on the environment, animal and plant health and animal welfare
- The idea is to free-up farmers to make decisions about land occupation without affecting their future support payments (through to 2027).
- Delinking will take place in 2024.
- It will mean future BPS payments will not be linked to the requirement to occupy farmland each year. Claimants who subsequently change their land area will still receive the same future stream of income (reducing under the phase-out) whether they reduce the area of their holding or increase it. Effectively, support through to 2027 becomes a personal right for the previous claimant (business).

Advisor's view:

"If the farm size isn't changing then de-linking will have little practical effect. It is those farms that have taken on extra land (or given it up) since 2022 where there may be issues. Any land taken on after the 2022 BPS will effectively have no BPS on it – the delinked payments will go to the previous occupier.

Conversely, tenants could give up land, or owners sell it, and they would still receive delinked payments through to 2027.

Once payments are not conditional on occupying land then the link to what happens on that land is broken - cross-compliance will end. However, you will still have to comply with relevant regulations when cross compliance end."

Further points to note;

- Payments will be calculated according to BPS money received in 2020, 2021 and 2022. The average of these years will set the 'Reference Amount'
- The Reference Amount will be multiplied by the annual % reductions to get the payment for the years 2024, 2025, 2026 and 2027
- **A BPS claim (minimum 5 Ha) will have to be made in 2023**
- De-linked payments will be treated as income for taxation purposes
- Whether delinked payments can be inherited or transferred was not known at the time of writing
- The 2023 year will be the last time entitlements are used. If entitlements have been purchased (or inherited) there may be a loss for Capital Gains Tax after 2023.

Lump Sum Exit Scheme

(Follow the link above for more guidance on the gov.uk webpages)

This year *only* farmers will be able to opt to take all their future stream of payments through to 2027 as a 'Lump-sum' rather than being paid on an annual basis. Annual payments will be capitalised up into a single amount, which may or may not be equal to what otherwise would have been received. However, applicants will have to give up their land (see below).

- This is effectively a retirement scheme
- **The scheme is currently open and will run until 30th September 2022.** Anyone who meets the criteria will get the payment.

- Lump Sum payments will be made in **November 2022** (or as soon as the requirements of the scheme on land transfers - see below - have been met)
- **To qualify**, applicants must have made a BPS claim in May 2018.
 - There will be exemptions for those that have inherited a farm or succeeded to an AHA tenancy since 2018
- The **payment will be based on the average BPS paid in the three years 2019, 2020 and 2021** (the 'Reference Period').
 - The figure for 2021 will be before any Agricultural Transition deductions.
- This average sets the 'Reference Amount'. There will be a standard multiplier of 2.35 to arrive at the value of the Lump-sum but this will be **capped at 2.35 x £42,500 (£99,875)**
- If the applicant has already reduced their entitlements compared to the reference period, their Lump Sum will be reduced proportionally
- Those who take up the Lump Sum will not be able to apply for any new agreements under other support schemes such as the SFI or Countryside Stewardship (CS).

- **Applicants must give up their farmland if they apply to the scheme.**
 - They can keep residential and commercial property, non-agricultural land and up to 5 hectares of agricultural land.
 - The land that must be transferred is that which was held on the 17th May 2021
- The transfer of land includes sale, granting a tenancy (which must be for more than 5 years), gifting it, or relinquishing a tenancy.
 - Where there is an AHA with succession rights, the transfer to a successor will be eligible for the scheme.
 - It will also be possible to put land held at the 17th May 2021 into woodland planting and claim the Lump-sum.
 - Sole traders will not be able to transfer to a spouse or civil partner
- **Applicants will have until 31st May 2024 to complete land transfers**
- Where Partners or Shareholders (either singly or jointly) have at least a 50% interest in a business they will be able to apply for the Lump-sum.
 - All entitlements held by the business would be cancelled. However, any remaining Partners

Advisor's view:

"The Lump-sum scheme is only likely to be of interest to a limited number of farms. It does not offer any extra money – just the earlier payment of what was going to be received anyway. Therefore, it does not provide a large incentive. The 'cap' on payments will also mean it does not make sense for larger businesses (anything over around 500 acres). It will be of most interest to farmers who might have been thinking about retirement anyway who have no family succession."

Environmental Schemes

Countryside Stewardship

(Follow the link above for more guidance on the gov.uk webpages)

Countryside Stewardship (CS) will remain open to new applications in 2022 and 2023. Changes to the scheme in the past couple of years include;

- The payment rates were changed (increased 30% on average) for 2022 and applications for Mid Tier and Higher Tier will open in early 2023 for agreements starting in 2024.
- A new [CS Capital Grants](#) is open for applications all year round:
 - This replaces the previous Hedgerow and Boundaries Grant. It still includes boundaries but has been expanded to cover tress, orchards, water quality and air quality and there are 67 **capital items** funded.
 - It is a standalone scheme; land not in CS and in Wildlife Offers is eligible (equivalent capital grants are available within Mid-Tier CS)
 - There is a maximum grant of £60,000 (previously £10,000)
 - Agreements allow 2 years to get work done then it must be maintained for 5 years
- Applications for [Woodland Management Plan](#) and [Woodland Tree Health](#) grants are also open all year.

- There are now simplified '**Wildlife Offers**';
 - Four 'packages' to suit the main farm types
 - Each Offer has limited set of options and minimum requirements tailored to the farming system
 - It is **non-competitive** - agreements will be offered as long as the application meets the minimum requirement
 - There is a simple online application. The deadline for 2022 was the 29th July but the scheme will be open again in 2023
- **Mid-tier CS options** have been re-written to be simpler, plus more upland and education options added.
 - The Mid-tier now has over 140 management options allowing farmers to build 'bespoke' agreement.
- Timing of payments has improved, and there is a new, a less punitive penalty regime.

Advisor's view:

"It will not be suitable for every farm, but going into the CS provides an opportunity to recoup some of the 'lost' BPS. It also provides a chance to look at the whole farm and identify the areas that are most suitable for environmental management - preparing for ELM when it becomes available. With the new elements of CS, there are a lot of options for farms."

Figure 2: Countryside Stewardship – Pros and Cons

| Scheme | Pros | Cons |
|------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------|
| Capital Grants | Simple application, no long-term commitment, no change in farming system required | One-off (small) payment, not a new income stream |
| Wildlife Offers | Relatively simple scheme, limited farming change | Limited flexibility, low(ish) overall revenue |
| Mid-tier CS | Can build 'bespoke' agreement, higher payments | Complex application and administration, change to farm |

Source: The Andersons Centre

Sustainable Farming Incentive (SFI)

The SFI is the first element of ELM to become available.

It is a scheme that is designed to fit *alongside* commercial farming (rather than *instead* of it). Defra envisages the majority of farmers entering the scheme with a target for take-up of 70%

- There will be a number of 'Standards', each dealing with a specific topic.
- Each Standard will have three ambition levels - **Introductory, Intermediate and Advanced**. There will be a set payment rate for each level; the higher the level chosen, the greater the payment. The scheme is being rolled-out gradually with different Standards being introduced at different times.

The indicative timetable is set out below;

- **Now Open:** Arable & Horticultural Soils; Improved Grassland Soils; Moorland and Rough grazing;
- Autumn 2022: Animal Health and Welfare Pathway will provide incentives for farmers to go above the regulatory baseline and reward higher animal health and welfare on farm. This will include capital grants.
- 2023: Nutrient Management; Integrated Pest Management; Hedgerows
- 2024: Agroforestry; Low & No Input Grassland; Moorland & Rough Grazing (all levels); Water Body Buffering; Farmland Biodiversity
- 2025: Organic; On-farm Woodland; Orchards & Specialist Horticulture; Heritage; Dry Stone Walls

More detail can be found online on the Defra website:

<https://www.gov.uk/government/collections/sustainable-farming-incentive-guidance>

<https://www.gov.uk/guidance/how-an-sfi-standards-agreement-interacts-with-other-funding-schemes>

Advisor's view:

"An important starting point is that the SFI (and ELM more widely) should not be seen as a replacement for the BPS. **It is a scheme that pays for 'public goods'** and therefore something needs to be delivered under SFI which will have a cost.

As such, the 'return' from the SFI will seldom be as good as the BPS. The question for farmers is 'does the SFI stack-up on its own terms?'. The answer to this question will be individual to every farm – far more so than for the BPS. It will depend on such things as;

- The farm layout/features etc. – do things have to be created or are they already in place?
- The economics of the scheme - the balance of SFI payments (plus any costs saved) versus income lost (and extra) costs by going into the scheme
- Is it actually worthwhile? - i.e. is total sum of money enough. This may be a particular issue in the early years of the scheme when only a few Standards are available. Some farmers may decide to wait until a more lucrative agreement can be built
- How easy is the application process?
- Existing enterprises - how well does the SFI integrate with the farm?
- How well does it work with other schemes the farm may already be in or could enter? The interaction between schemes can be complex.

The key thing to remember is that environmental management as just another enterprise on the farm like any other. It has to fit in and make a return. If there is no benefit then there is no need to participate - ELM is a voluntary scheme but may be worth considering, either for the first round of standards or as new standards are rolled out. Each farm should take a look and decide for itself though and not be guided by press, neighbours, or pub talk!"

Local Nature Recovery and Landscape Recovery Schemes

These are the other elements of ELM. Neither is full launched yet so they should not impact on farmers' thinking in 2023. However, it is worth knowing what is planned for the future.

[Local Nature Recovery \(LNR\)](#) will build on Countryside Stewardship. It will reward land managers for creating, maintaining and enhancing habitats and other environmental features alongside farming. This could be in small, less productive or difficult to manage areas of a farm, or on a larger scale where that's appropriate.

Like CS there will be a range of options which farmers choose from. Collaboration will be encouraged through facilitation funding, and it will be tailored to local priorities.

More details on payment rates and precise options are expected later this year. There will be testing and piloting happening later in 2022 and 2023 with the full scheme expected to launch in 2024.



[The Landscape Recovery \(LR\) scheme](#) is the final element of ELM; this scheme is for landowners and managers who want to take a more 'radical and large-scale approach' to producing environmental and climate goods on their land.

The scheme will focus on **biodiversity, river management, afforestation, peat restoration, salt marsh re-creation and net zero**. Agreements are expected to be long term, 20-years plus, with safeguards, such as Conservation Covenants in place to protect them in the future. It is expected that each agreement will cover a large area 500 to 5,000 Ha. There will be no set list of options with payment rates, instead Defra will work with project managers to negotiate bespoke agreements. Again, Pilots will run in 2022 and 2023 before the full scheme is launched in 2024.

Funding for Productivity

The Government wishes to see the productivity of English agriculture improve. Therefore, alongside ELM are a suite of productivity schemes. Many of these provide capital grants, but there are also programmes to improve the performance of farming.

Farming Investment Fund

The main capital grant scheme is the Farming Investment Fund (FIF). This offers grants of 40% for investment in items of equipment deemed to improve productivity. There are a number of elements to the scheme:

Farming Equipment and Technology Fund

A fixed rate of grant for specified items with application online.

- Minimum grant is £2,000 with a maximum of £25,000.
- The scheme opens in rounds for applications.
- Applicants can apply for a total of £50,000 during the lifetime of the scheme which is expected to run until 2026.

Advisor's view:

“Capital grants are always attractive. However, it must be remembered that businesses still have to fund the 60% not covered by the grant. Whatever is being purchased needs to be a true ‘investment’ that adds to the profitability of the enterprise rather than just a nice-to-have.”

Slurry Investment Fund

To help farmers fund slurry storage for 6 months, plus the cost of covers. The scheme will open in autumn 2022 and run until 2025. Rates of grant and scheme rules had not been announced at the time of writing, but it is expected that;

- Funding will be at 50% with grants ranging from £25,000 to £250,000
- Only those already on slurry-based systems will be eligible
- Grants to fund up to 6 months storage will be made
- Following funding all storage on the farm must be compliant with the Silage, Slurry and Agricultural Fuel Oil (SSAFO) Regulations - i.e. grandfather rights will be removed on old stores
- A manure Management Plan and a Nutrient Management Plan will be required
- Grants will be competitive with a scoring system. Farms in Priority Catchments or close to Protected Sites (e.g. SSSIs) are expected to score more highly

Farming Transformation Fund

This is for larger items of spending with grants of between £35,000 and £500,000 (again, based on a 40% grant rate).

It is open to contractors as well as farmers.

Applications are via a two-stage process with an EOI and then full application. The grant funds projects in three areas;

- **Water Management** – support for reservoirs and irrigation systems
- **Improving Farm Productivity** – support for robotic or autonomous equipment and systems to aid crop and livestock production and the installation of slurry acidification equipment
- **Adding Value** (i.e. processing and marketing)

The [Farming in Protected Landscapes \(FiPL\)](#) programme supports farmers and the wider community in **National Parks, Areas of Outstanding Natural Beauty (AONB) and the Broads**.

Whilst this is often thought of as being for hill areas many of the AONBs are actually in the lowlands.

It pays grants to mitigate the impacts of climate change, improve nature, improve access and understanding of the countryside, and enhance the quality and character of the areas.

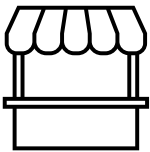
Payment rates vary depending on whether a commercial gain can be made through the project. If no commercial gain is identified, then up to 100% of the costs may be paid.

Advisor's view:

"Although the topics may seem removed from commercial farming there are opportunities in the scheme. For example, some farms have received grants for boundary repairs which both improves the landscape and helps

[Future Farming Resilience Fund](#)

The **FFRF** will offer fully funded advice to farmers during the agricultural transition. Support will be provided by accredited advisors through various mechanisms, including one-to-one consultancy and farm business reviews, webinars and workshops. Support will be scaled-up from September 2022 and will operate until October 2024.



Advisor's view:

"At the minimum all farms should be considering a Future Farm Resilience Fund (FFRF) farm review. It is free, so there is no downside other than the time it takes. Those that have not traditionally used an advisor may be surprised how useful it is just to talk through the issues with an independent third party. Note that different providers offer different levels of service under the FFRF so it is worth 'shopping around'."

- [New Entrants Scheme](#) – scheduled to run from 2022 to 2024. There are few details available as yet but this is likely to focus on helping new entrants through mentoring, land-matching etc. rather than financial assistance.

- [The Institute for Agriculture and Horticulture \(TIAH\)](#) – a new professional body for farming is to be set up to drive standards and promote learning
- [Research and Development](#) – the Agricultural Transition will see increased levels of R & D spending on farming under a new Innovation and Research programme