



Department
for Environment
Food & Rural Affairs

Farming and Countryside Programme annual report

April 2022 to 31 March 2023

Presented to Parliament pursuant to Chapter 1, Section 5 of the Agriculture
Act 2020

Date: September 2023

We are the Department for Environment, Food and Rural Affairs. We are responsible for improving and protecting the environment, growing the green economy, sustaining thriving rural communities and supporting our world-class food, farming and fishing industries.

We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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Introduction

Chapter 1 Section 5 of the Agriculture Act 2020 places a duty on the Secretary of State to lay and publish an annual report providing information about the financial assistance given over the previous financial year.

This is the second annual report and relates to financial year 2022 to 2023.

The policy context

The agricultural transition will deliver the biggest changes in English agriculture policy in a generation. Over 7 years from 2021, we are taking England out of the EU's Common Agricultural Policy (CAP) and are phasing out subsidies for land ownership and tenure, radically improving our services to farmers and land managers.

As set out in the [Environmental Improvement Plan 2023](#), delivery of the programme is critical for us to achieve our statutory Environment Act targets and Net Zero commitments. We have and are continuing to introduce new offers to pay farmers to produce these outcomes alongside food production, improving farm regulation and supporting capital investment in environmental enhancements.

All of our policies and schemes are designed to contribute to our range of objectives - farming and nature can and must go hand in hand to support resilient food production and farm businesses and to achieve our target outcomes for environment and climate:

- our Environmental Land Management schemes are designed to work for farm businesses so that they can combine these schemes with food production to reduce their costs, reduce waste and improve farm productivity and resilience whilst also improving air and water quality, enhancing biodiversity and reducing emissions.
- our productivity, innovation, research and development grants are designed to support improvements in farm productivity whilst also helping tackle environment and climate issues.
- our animal health and welfare grants and support, can help improve animal health and welfare which in turn can improve farm productivity and have positive environment and climate impacts.

What we achieved in 2022 to 2023

During 2022 to 2023 the focus was on:

- continuing to improve government services to farmers to offer simpler, fairer and more effective services making it easier for them to make positive changes to their businesses.
- engaging with the farming sector to ensure our offer is understood and to co-design our schemes with farmers and other experts.
- scaling up our productivity, innovation and grant offers to help farmers adapt to the changes and deliver improvements to the environment, animal health and welfare whilst producing food.
- continuing to improve, pilot and expand our environmental land management schemes as we continued the phased roll out and make best use of the funding released from Basic Payment Scheme (BPS) reductions.

Delivering new and improved offers

In 2022 to 2023 we continued to expand the range of grants that were available and the total level of funding, as well as the phased roll out of our new environmental land management offers and continuing to improve existing schemes.

Table 1 shows what we have delivered in 2022 to 2023.

Table 1: What we have delivered in 2022 to 2023

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
Direct payments	1,384	<p>BPS funding to 84,000 farmers, with 99.8% of payments made to eligible claimants for the 2022 scheme year. Made payments in two instalments supporting cash flow for farmers.</p> <p>Payments were also made to 865 farmers who have completed their exit from farming under the Lump Sum Exit Scheme.</p>
Environmental Land Management (Including ES, CS and SFI)	572	<p>There are currently around 39,500 farmers and land managers in our legacy agri- environment schemes, including Environmental Stewardship and Countryside Stewardship. In April 2022 there were approximately 35,900 agreements.</p> <p>In January 2023, there were around 32,000 Simplified CS agreements, a 94% increase from 2020. The most popular element of CS is Mid-Tier which, including the Wildlife Offers, accounts for around 87% of all CS agreements. There are also 2,700 Higher Tier and 1,500 Higher Tier Woodland agreements, which deliver on the most environmentally significant sites.</p> <p>Several grants were made available from 5 January, including:</p> <ul style="list-style-type: none"> • CS Capital Grants to support capital items to achieve specific environmental benefits in 4 groups: boundaries, trees and orchards; water quality; air quality; and natural flood management. • a new Higher Tier Capital Grants, offering capital items to achieve additional

Scheme Spend (£m)		What we have delivered in 2022 to 2023
		<p>environmental benefits alongside existing Higher Tier and HLS agreements.</p> <ul style="list-style-type: none"> • protection and Infrastructure grants for capital items that support improving the management of woodland and to help manage the impact of beaver behaviours. • woodland management plan grants for a one-off payment to create a 10-year woodland management plan. • woodland Tree Health grants to help restock or improve woodland after tree health problems. • implementation Plan and Feasibility Study grants to help support more complex agreements and projects. <p>The time available to claim for CS grants was extended from 2 years to 3 years for new agreements starting from 5 January 2022, and revision of the payment rates for CS capital and revenue items took place from 1 January 2023.</p>
Plant Health	1	<ul style="list-style-type: none"> • 100 grant agreements made available through a competitive application process over the duration of the Pilot (Aug 2021 to 2024). • 54 agreements are currently live (44 of these were issued FY 2022 to 2023).
ELM Trials and Testing	3	<ul style="list-style-type: none"> • 17 new Tests and Trials focused on supporting the design and delivery of the three schemes rewarding environmental land management.

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
		<ul style="list-style-type: none"> • funding of 54 Tests and Trials, learning from farmers and others on some of their issues and collaborating with them to develop solutions. • completion of 34 tests over 2022 to 2023 providing valuable evidence to help shape the development and delivery of the three environmental land management schemes.
ELM National Pilots	12	<ul style="list-style-type: none"> • there are currently 826 live pilot agreements with an annual value of £8.5m. • we have delivered 113 learning activities with farmers and land managers in the pilot, including on-farm workshops, workshops, surveys, face to face interviews and environmental baselining. • conducted a range of engagement activities, including webinars, farm visits and 5 face to face events hosting over 300 farmers and land managers.
Landscape Recovery	1	<ul style="list-style-type: none"> • completed enrolment for the 22 projects in Round 1 of the Landscape Recovery scheme. These projects are now in their Project Development Phase, working towards negotiating Implementation Agreements.
Farming in Protected Landscapes (FiPL)	20	<p>FiPL supported 1,397 projects across the 4 nature, climate, people and place themes. Outputs included:</p> <ul style="list-style-type: none"> • over 98,000 metres of hedgerow planted • over 58,000 trees planted

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
		<ul style="list-style-type: none"> • over 8,300 metres of drystone walling restored • 40 new permissive paths • 16 new farming clusters created
Nature for Climate Fund	12	<ul style="list-style-type: none"> • FCP supported NCF's Woodland Creation Accelerator Fund, Community Forest, Nurseries and Workforce and Skills. These projects are critical to developing the capability and capacity to continue growing our pipeline to deliver against NCF targets.
Livestock Information Transformation Programme	25	<ul style="list-style-type: none"> • delivered the new Livestock Unique Identification System (LUIS) for sheep, goats and deer which went live in March 2022. The equivalent system for cattle went live in February 2023 and also the first iteration of a UK View for Sheep, Goats and Deer, bringing together traceability data from across the UK administrations so that in the event of an outbreak or food safety issue, the CVO and team can understand the location of all UK livestock. • Bovine Electronic Identification Devices (BeID) Pilot prepped and launched ahead of Defra plans to legislate for BeID. • ongoing work to stabilise LI Ltd as the delivery vehicle for the design and build of the new multi-species livestock information service.
Species Survival Fund	2	<ul style="list-style-type: none"> • open to farmers as individuals and as organisations working to recover nature, to

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
		fund creation and restoration of wildlife-rich habitats on their land and support monitoring and evaluation of Protected Sites.
Technical Assistance	40	<ul style="list-style-type: none"> used the technical assistance provision to fund work on the design and implementation of the policies listed in this paper, including the IT improvements which enabled landowners and managers to apply for funding. This equated to less than 2% of the total spend in 2022 to 2023.
Total for Environmental, Climate and Animal Welfare outcomes	688	-
Farming Investment Fund	35	<ul style="list-style-type: none"> Farming Transformation Fund (FTF) provided large grants towards capital items to help businesses improve productivity, profitability, and environmental sustainability across 5 key themes (Water Management, Adding Value Improving Farm Productivity, Slurry Infrastructure and Calf Housing for Animal Welfare). A second round of the water management grant and first round of the slurry infrastructure grant were launched. Farming Equipment and Technology Fund (FETF) provided investment towards specific items of equipment which will improve productivity and efficiency for farming, horticultural and forestry

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
		businesses. A second round of FETF (FETF 2023) was launched with two strands, one covering Productivity and Slurry, with a separate strand offering animal health and welfare grants.
The Institute for Agriculture and Horticulture (TIAH)	2	<ul style="list-style-type: none"> • development of online platform. • TIAH launched a pilot to help develop its services ahead of a general launch to wider membership in 2023.
Farming Innovation Programme	15	<ul style="list-style-type: none"> • launched 7 competitions under the Farming Innovation Programme, with a combined value of £51.35m. • this included two thematic competitions (Sustainable Farm Proteins and Automation) focusing on addressing sector wide challenges, that will improve productivity and enhance environmental outcomes in the long term.
Farm Resilience	8	<ul style="list-style-type: none"> • business advice provided to approximately 7,900 farmers through our Future Farming Resilience Fund.
New Entrants	1	<ul style="list-style-type: none"> • 5 pilots for new entrants to test different approaches, through improved access to land and finance. Evaluation of these pilots will commence in summer 2023.
Rural Growth and LEADER	58	<ul style="list-style-type: none"> • 211 people trained under Bovine Tuberculosis (bTB), Bovine Viral Diarrhoea (BVD) and Sheep Scab schemes.

Scheme	Scheme Spend (£m)	What we have delivered in 2022 to 2023
		<ul style="list-style-type: none"> 3,057 jobs created through RDPE Socio-Economic Schemes.
CMO (Common Market Organisation)	39	<ul style="list-style-type: none"> 29 producer organisations supported under the Fruit and Vegetable scheme, with a value of £35.7m. 303 active School Milk Scheme claimants. Around 14,000 schools supported overall with a value of £2.7m, 1,500 quota licences issued to approximately 140 customers. 1,319 Attestations of Equivalence for hop growers were issued. issued 1,842 VI-1 Wine export certificates. eighteen applications were received under the Private Storage Aid scheme. In total 745 tonnes of deboned pig meat were put into storage under the scheme. four applications for part funding of additional slaughter shifts were approved via the Slaughter Incentive Payment, with 44 extra shifts completed. The total number of pigs slaughtered under the scheme was 37,611.
Total for Improving Farm Prosperity	158	-
Total scheme costs	2,230	-

Improving our services for farmers

It is important that when farmers work with us, they receive the information or service in a timely and effective way. In 2022 to 2023 we made a number of improvements to how we work with farmers.

We continued to make the regulatory system fairer, more effective in securing outcomes and more supportive for farmers by implementing a more advice-led approach to cross compliance, with more flexibility in the way non-compliance with farming regulations is treated and a more pragmatic, supportive approach to helping farmers to meet the requirements.

We also made changes so it is easier for farmers to understand what rules they need for follow, for instance we:

- increased the scope of advice offered by the Farming Advice Service (FAS) so we can reach more farmers. In the last year, FAS answered 888 technical enquiries about how to apply the rules on farm, delivered five live webinars to over 1,000 farmers and advisors - with an additional 1,000 views of the recording - and sent 12 newsletters and key dates emails to over 68,000 farmers, with an average open rate of over 45%.
- published a single navigation page for rules for farmers and land managers on GOV.UK, making it easier for farmers to find information about regulation.

This included improvements to on-farm visits and communication with farmers, and innovative remote monitoring techniques including:

- supporting the expansion of regulatory resource for the Environment Agency (EA). The EA delivered 4,137 inspections with 2,863 completed improvement actions all based on supporting farmers understand and undertake the right activities in the right areas.
- rolling out an app to allow field officers across Arm's Length Bodies (ALB) to share information on priority regulatory issues across organisations more easily.

2022 was also the year we launched the improved online service to support the roll out of SFI. This included an automated application service for SFI which enabled us to process applications in less than 2 weeks rather than over months. Farmer feedback was very

positive and we have continued to improve the service ahead of opening the simplified and accelerated SFI offer in 2023.

Working with and learning from farmers

In 2022 to 2023 we increased our engagement with farmers, experts and others in the farming sector. For instance, we:

- continued to work with more than 5,000 farmers and other experts through our tests, trials, pilot and co-design work to develop new policies and schemes.
- attended 25 agricultural shows, engaging with over 5,700 farmers from our stand, through roundtables at our stakeholder's stands and other events.
- fulfilled more than 20 speaking requests a month, raising awareness of schemes, responding to queries and hearing proposals for improvements.
- developed networks of intermediaries to reach farmers who prefer to get their information through advisers or other trusted professionals. Tailored information is now given to organisations who are trusted by a wide network of farmers. In 2022, this group of trusted networks included 545 organisations.
- strengthened the digital presence creating video case studies, a podcast and by the end of 2022 had reached 223,000 views through separate blog posts.

There were positive signs these activities were being effective. We monitor farmer views through our regular Farmer Opinion Tracker and that showed our engagement was positively impacting farmers. Only about a quarter of farmers in April 2023 (24%) said they either did not have any information they need for business planning or not know where to find it (down from 40% in September 2019 and 30% in October 2021).

What we spent in 2022 to 2023

Financial Commentary

In 2022/2023, Defra planned to spend £2,333m as part of our planned trajectory for the agricultural transition and our commitment to spend an average of £2.4bn per year across the Parliament. Our actual spend was £2,230m. This reflects normal levels of fluctuation within the budget (4% difference between forecast and actual). We manage these fluctuations by adjusting our plans for each year's spend to maintain our commitment to

the level of spend overall across the Parliament. Annex 1 sets out our spend over time in more detail.

We expect to see a fluctuation of spend across years arising from variations in the amounts of money claimed in schemes and grants each year. In 2022/2023, we saw variations larger than forecast in relation to capital claims, which were lower than in previous years as a result of historically high levels of inflation in 2022 and 2023. This caused us to spend less than planned, primarily in relation to Countryside Stewardship grants. The slower than forecast rate of capital claims means the planned spend that was not scored in 2022/2023 is now projected to occur in future years and we are still on course to maintain our commitment of spending an average of £2.4bn on the farming budget across this Parliament.

The accounting treatment for SFI means that spend on agreements that started in 2022/2023 falls under 2023/2024 budget. There is therefore no SFI spend recorded for financial year 2022/2023. In 2021, the roll out plan for SFI changed, focussing less on further rounds of pilots and instead rolling out full agreements over time. This approach meant more farmers could do more through SFI, more quickly, but with spend recorded in future years.

Due to this change, there was less spend in 2022/2023 on SFI pilots than was assumed in the forecasts set out in the Agricultural Transition Plan in 2020. However, this spend was used to respond to farmer demand for CS which saw higher than forecast spend of £108m due to a spike in agreement uptake and an increase in revenue payment rates in 2022/2023. This led to 9,126 CS agreements in 2022/2023, compared to 6,079 in 2021/2022. This shift in spend means we can more confidently offer a demand driven SFI and CS offer in 2023, rather than needing to limit offers if we saw a high level of uptake.

Consistent with our flexible approach to managing the budget, we decided to spend more than planned in some areas in response to farmer demand. This additional spend amounted to a total of £34m. This included Farming in Protected Landscapes, contributions to payments to farmers in the Nature for Climate Fund and the Livestock Information Transformation Programme. Table 2 sets out total scheme spend for 2022/2023.

Table 2: Total scheme spend for 2022/2023 (£m)

Scheme	Spend (£m)	Agriculture Act (£m)	Other legislative powers* (£m)
Direct Payments	1,384	0	1,384
Environmental Stewardship and Countryside Stewardship ¹	572	0	572
Plant Health	1	1	0
Environmental Land Management (ELM) Trials and Testing	3	3	0
Environmental Land Management (ELM) National Pilots	12	12	0
Landscape Recovery	1	1	0
Farming in Protected Landscapes	20	0	20
Nature for Climate Fund	12	0	12
Livestock Information Transformation Programme	25	0	25
Species Survival Fund	2	0	2
Technical Assistance	40	0	40
Total for environmental, climate and animal welfare outcomes	688	17	671
Farming Investment Fund	35	35	0
Institute for Agriculture and Horticulture	2	0	2
Farming Innovation Programme	15	0	15

¹ Includes spend on Countryside Stewardship agreements signed under the 2014-20 Rural Development Programme for England (RDPE), and the simplified version put in place from 2021.

Scheme	Spend (£m)	Agriculture Act (£m)	Other legislative powers* (£m)
Farm Resilience	8	8	0
New Entrants	1	1	0
Rural Growth and LEADER	58	0	58
CMO (Common Market Organisation)	39	0	39
Total for improving farm prosperity	158	44	114
Total scheme costs	2,230	61	2,169

*Includes Retained EU Law, NERC Act, Environment Act etc.

Legal basis for spend

The programme continues to introduce new schemes based on domestic powers and close old schemes which rely on EU powers or in some case other domestic powers such as the Natural Environment and Rural Communities Act 2006. As that transition progresses, we will see an increasing level of spend through the powers provided by the Agriculture Act.

Annex 1: Spend over time

We do not have fixed allocations (or ‘pillars’, as they were known whilst we were in the EU) of money ring fenced to different schemes. Instead, we are managing the overall budget to respond to demand in a way that helps us achieve our intended outcomes.

In 2020, we set out the grouped allocations of spend (see figure 1a). Table A shows spend to date and figure 1b shows an updated version of the grouped spend over the same period as Figure 1a with actual spend for 2021/2022 and 2022/2023 and updated forecasts for 2023/2024 and 2024/2025.

Fig1a – Agricultural Transition Plan (ATP)

Thematic Buckets in the ATP	2021/22	2022/23	2023/24	2024/25
Direct Payments	68%	55%	48%	34%
Environmental, climate and animal welfare outcomes	23%	36%	42%	57%
Improving farm prosperity	9%	9%	10%	9%

■ Direct Payments
 ■ Improving farm prosperity
 ■ Environmental, climate and animal welfare outcomes

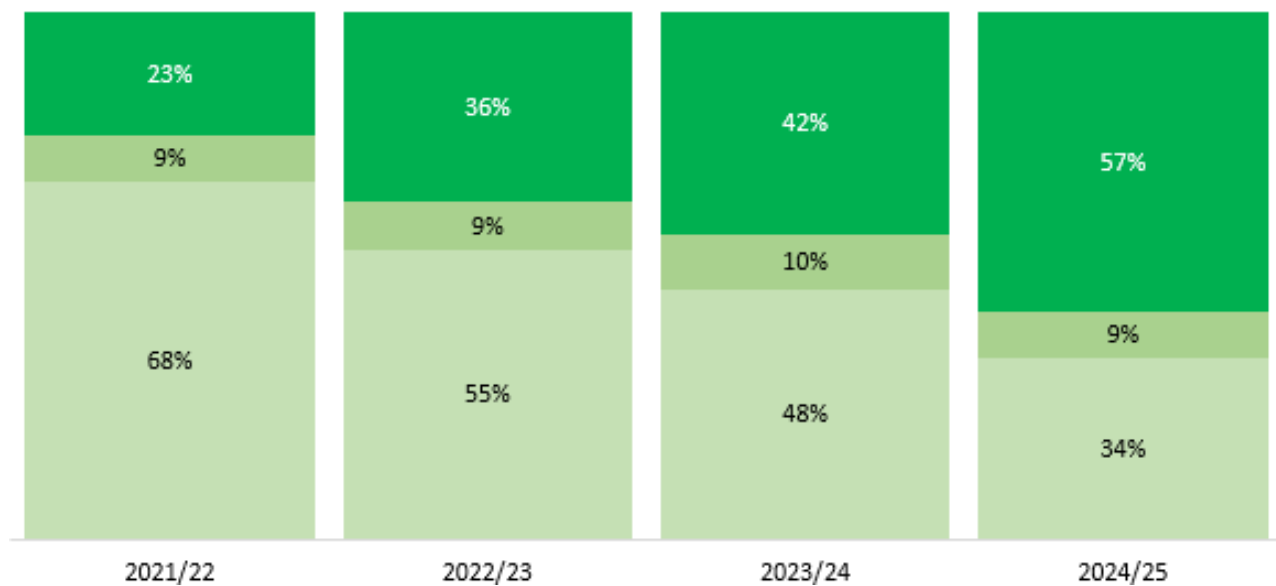


Fig1b – Spend for 2020/2021 & 2021/2022 + latest (Apr 2023 business planning) forecasts for 2023/2024 & 2024/2025

Thematic Buckets – actuals + forecast	2021/22	2022/23	2023/24	2024/25
Direct Payments	72%	62%	49%	30%
Environmental, climate and animal welfare outcomes	22%	31%	44%	61%
Improving farm prosperity	5%	7%	8%	9%

■ Direct Payments
 ■ Improving farm prosperity
 ■ Environmental, climate and animal welfare outcomes

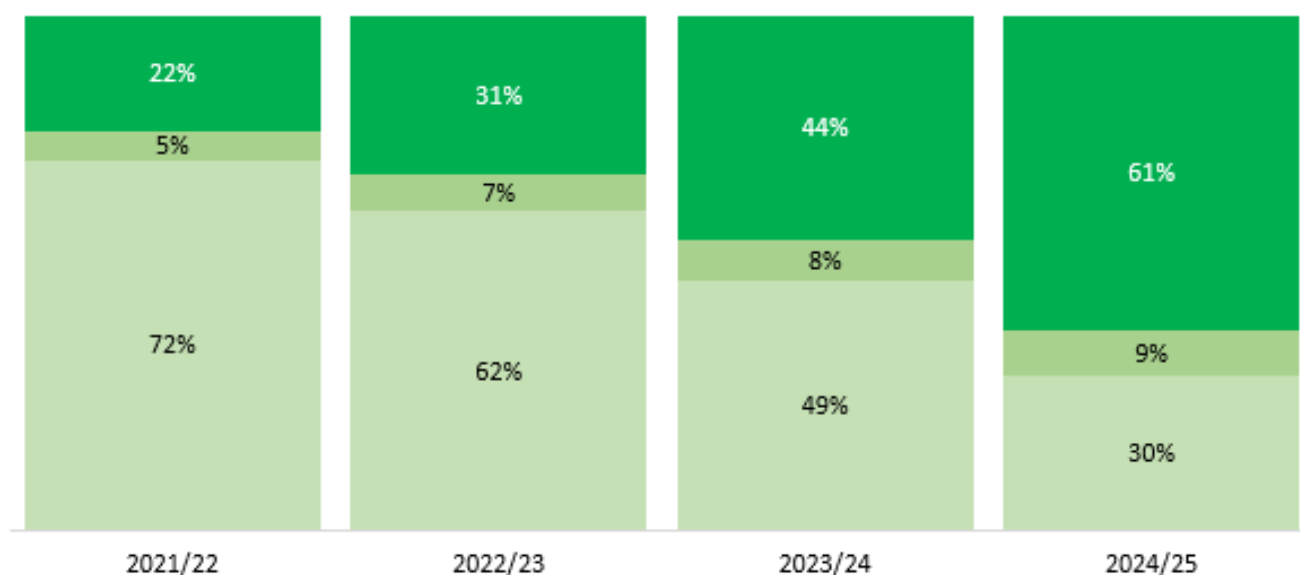


Fig1c – movement from Agricultural Transition Plan (ATP)

Thematic Buckets – movement from ATP	2021/22	2022/23	2023/24	2024/25
Direct Payments	4%	7%	1%	-4%
Environmental, climate and animal welfare outcomes	-1%	-5%	1%	4%
Improving farm prosperity	-3%	-2%	-2%	-0%

Table A: Total schemes spend for 2020/2021, 2021/2022 & 2022/2023

FCP Scheme	20/21 (£m)	21/22 (£m)	22/23 (£m)
Direct Payments	1,873	1,654	1,384
Countryside Stewardship and Environmental Stewardship	427	458	572
Plant Health	0	0	1
Environmental Land Management - trials and testing	6	3	3
Environmental Land Management - national pilots	0	0	12
Landscape Recovery	0	0	1
Farming in Protected Landscapes	0	11	20
Nature for Climate Fund	0	0	12
Livestock Information Transformation Programme	11	23	25
Species Survival Fund	0	0	2
Technical Assistance	13	20	40
Total for environmental, climate and animal welfare outcomes	457	515	688
Farming Investments Fund	0	2	35
Institute for Agriculture and Horticulture	0	2	2
Farming Innovation Programme	0	3	15
Farm Resilience	1	5	8
New Entrants	0	0	1
Rural Growth and LEADER	63	75	58
CMO (Common Market Organisation)	56	37	39
Total for improving farm prosperity	120	125	158
Total scheme costs	2,450	2,294	2,230