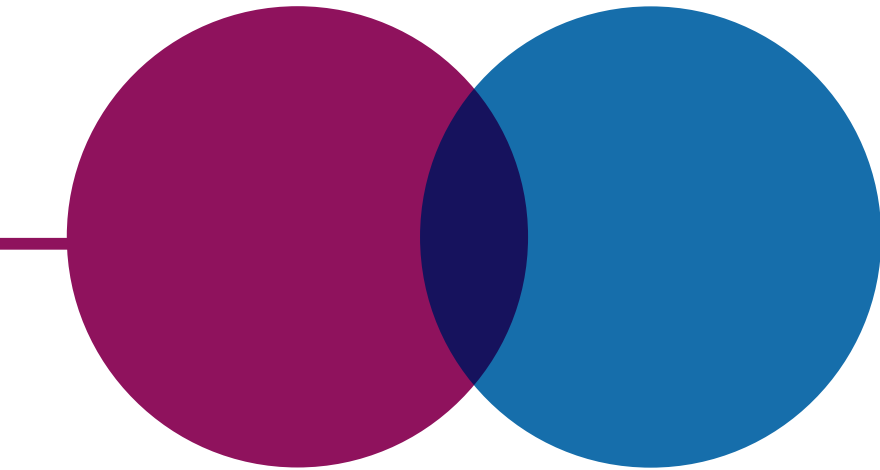




National Audit Office



# The Environmental Land Management scheme

Department for Environment, Food & Rural Affairs


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**REPORT**

**by the Comptroller  
and Auditor General**

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**SESSION 2021-22  
15 SEPTEMBER 2021  
HC 664**



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National Audit Office

# The Environmental Land Management scheme

Department for Environment, Food & Rural Affairs

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## Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 13 September 2021

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

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**Gareth Davies**  
**Comptroller and Auditor General**  
**National Audit Office**

**7 September 2021**

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# Contents

**Key facts** 4

**Summary** 5

**Part One**

The strategic management  
of ELM 14

**Part Two**

Delivering the Sustainable  
Farming Incentive 2022 30

**Part Three**

Delivering the long-term  
benefits of the scheme 36

**Appendix One**

Our audit approach 47

**Appendix Two**

Our evidence base 49

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## Key facts

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**472,000**

number of people employed in UK farming sector in 2020

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**71%**

percentage of UK land that is farmed (2020)

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**2024**

year of full launch of the Environmental Land Management scheme (ELM)

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**£2.4 billion**

Department for Environment, Food & Rural Affairs' (Defra) average planned annual spending on agricultural schemes, including ELM, in England over the life of this Parliament

**10%**

target for administrative costs as a proportion of scheme payments, compared with up to 18% under current agri-environment schemes

**55%**

percentage reduction in direct payments to farmers by 2024-25, compared with payments under the Common Agricultural Policy in 2019-20, as funds are diverted into environmental land management schemes

**38%**

proportion of farmers who would have made a loss between 2017-18 and 2019-20 if they had not received direct payments and everything else stayed the same

**2,178**

number of farmers expressing an interest in the Sustainable Farming Incentive cohort 1 pilot compared with Defra's assumption of between 5,000 and 10,000

# Summary

**1** The UK farming industry provides more than half of the food we eat and employs 472,000 people in the UK. The industry comprises around 200,000 farm holdings, which use 17.3 million hectares, almost three-quarters (71%) of the land in the UK.

**2** For more than 40 years, most UK farmers have benefited from subsidies through the EU's Common Agricultural Policy (CAP). Under CAP, English farmers received around £2.4 billion annually and many farmers were reliant on this to maintain their businesses. Approximately 80% of this was distributed through the Basic Payments Scheme (BPS), which provided direct payments to farmers. BPS delivers some environmental benefits through limited compliance requirements but is largely based on the area of land farmed. The government considers CAP to be "flawed" and land-based subsidies to be "bad value for taxpayers". Following EU Exit, the government has decided to phase out these direct payments over seven years starting in 2021.

**3** The Department for Environment, Food & Rural Affairs (Defra) is developing the Future Farming and Countryside Programme as a "once-in-a-generation opportunity to reform agriculture". It will consist of schemes targeted at enhancing the environment, protecting the countryside, improving the productivity of the farming sector and improving animal health and welfare. Central to Defra's proposals is the Environmental Land Management scheme (ELM), the primary mechanism for distributing the funding previously paid under CAP. Instead of CAP direct payments, ELM will pay farmers for undertaking actions to improve the environment. It has three components, each of which will be launched in full in 2024:

- The Sustainable Farming Incentive (SFI) will be open to all farmers and will pay them for actions to manage their land in an environmentally sustainable way.
- Local Nature Recovery will pay for more complex actions that deliver benefits at a local level and aims to encourage collaboration between farmers.
- Landscape Recovery will support large-scale projects to deliver landscape and ecosystem recovery through long-term land-use change projects such as large-scale tree planting and peatland restoration.

**4** Before launching ELM in full, Defra is piloting its three components, starting with an initial cohort of farmers from October 2021. In March 2021, Defra invited farmers to express interest in participating in the pilot. Initially, the pilot will be limited to SFI. Defra plans to involve around 1,000 participants with further participants added over time to reach 3,500 participants. Piloting Local Nature Recovery and Landscape Recovery will commence later. In addition, Defra intends to launch some core elements of SFI at scale in mid-2022. In this report, we refer to this early roll-out of SFI as SFI2022. This will allow farmers to start earning income for providing environmental benefits as direct payments start to be phased out. SFI2022 will initially have a narrow scope but will expand over time.

**5** Defra aims to use the pilots to inform decisions on ELM design and delivery. It also sees the early roll-out of the SFI component, through SFI2022, as an opportunity to test the user experience on a larger scale. In addition to the pilots and SFI2022, Defra is running a series of ‘tests and trials’ to test specific elements of ELM including land management plans, the role of advice and guidance, and payment methods. Defra expects these different elements to provide continuous learning and plans to adapt the ELM scheme design prior to its full launch in late 2024.

**6** Defra expects the reduction in direct payments and introduction of its replacement arrangements, including ELM and other elements of the Future Farming and Countryside Programme, to have a significant impact on profits for many farmers. Data from Defra show that 38% of farmers would have made a loss over the period 2017-18 to 2019-20 without direct payments. Defra is updating its analysis of the distributional impact of its plans in support of the business case for the Future Farming and Countryside Programme, but there is still considerable uncertainty over how farm incomes will be affected.

**7** This is our second report on Defra’s plans for replacing CAP. Our first report in June 2019 was a review of the early stages of the Future Farming and Countryside Programme.<sup>1</sup> We raised concerns then about the scale of work involved in the transition to the new Programme and, given farmers’ reliance on existing EU subsidies, about whether Defra had allowed sufficient time to introduce its proposed changes to the way the farming industry is supported. We said that Defra needed to have a realistic plan and ensure that decisions affecting farmers were made in time to allow for system design and to enable farmers to plan their businesses.

**8** This report focuses on ELM, which will account for most of the government’s expenditure on agriculture from 2024. It is a crucial part of Defra’s plans to achieve the wider environmental objectives of the government’s 25-Year Environment Plan and to meet government’s net zero target by 2050.

<sup>1</sup> Comptroller and Auditor General, *Early review of the new farming programme*, Session 2017–2019, HC 2221, National Audit Office, June 2019.



**9** Our study examines three aspects of ELM:

- the strategic management of ELM (Part One);
- delivery of SFI2022 (Part Two); and
- delivering the long-term benefits of the scheme (Part Three).

**10** The report draws on the lessons learnt from our examination of major programmes across government, which we brought together in a report published in November 2020.<sup>2</sup>

## Key findings

### Strategic management of ELM

**11 Despite significant challenges, Defra has made progress in several important areas since our 2019 report.** Defra has faced new challenges since we last reported, most notably resourcing challenges as a result of its ongoing work on EU Exit and responding to the COVID-19 pandemic. Despite this, Defra has continued to develop ELM policy and design. It published the *Agricultural Transition Plan* in November 2020 with an update following in June 2021 providing further details of its plans. It has established tests and trials to provide learning to help refine key aspects of ELM design. It has also submitted the outline business case for ELM and received approval from HM Treasury in June 2021 for the SFI pilot (paragraphs 1.14 to 1.16).

**12 Defra has not yet established objectives to support its high-level vision for ELM.** HM Treasury guidance highlights the importance of having up to five or six SMART (specific, measurable, achievable, realistic and time-limited) objectives. Defra has set out its high-level vision for ELM, to secure a range of positive environmental benefits and to help tackle some of the environmental challenges associated with agriculture. HM Treasury guidance also requires another level of more specific strategic policy objectives to turn the vision into an implementable programme. The outline business case for ELM sets out 24 SMART objectives related to the government's 25-Year Environment Plan and net zero carbon ambition, but these are described as provisional and indicative. As part of the approval process, HM Treasury asked Defra to set out when it would produce a set of prioritised SMART objectives and to provide evidence that these are informing scheme design. This work is in progress, but Defra told us that it cannot be completed until the government has made key decisions about its approach to meeting UK carbon budget targets and legally binding targets to be set in the Environment Bill (paragraphs 1.17 to 1.20).

<sup>2</sup> Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019–2021, HC 960, National Audit Office, November 2020.

**13 Defra has yet to develop detailed delivery plans beyond March 2022.** The need for improvement in Defra's forward planning has been a recurrent issue, highlighted both in our previous report and by the Infrastructure and Projects Authority (IPA) in reviews undertaken in August 2020 and March 2021. Defra's current high-level plan for ELM beyond March 2022 is incomplete, with particular gaps in the analysis of the dependencies between different workstreams. Its own internal reporting on delivery confidence and risks has highlighted that detailed plans beyond March 2022 are still being developed (paragraphs 1.21 to 1.24).

**14 Gaps in staff capacity and capability remain an ongoing delivery risk although Defra has made recent progress in filling its vacancies.** We highlighted resourcing concerns in our 2019 report and these concerns were exacerbated by EU Exit and COVID-19 during 2020. In late 2020, Defra reported it had only 55% of the staff it required across ELM. Since then, the situation has improved. In July 2021, in addition to staff in its arm's-length bodies and resources drawn from the wider Future Farming and Countryside Programme, there were 169 Defra staff dedicated to working on ELM, with 22 unfilled vacancies (12%). Defra remains concerned about resources: it reported in its May 2021 management information pack that the resource requirements to support later phases of piloting were not yet fully understood and that significant changes to how it was managing the Programme required different capabilities that may not be in place. An audit of staff skills is planned for autumn 2021 and a new process for monitoring and reporting staff vacancies in the Programme is beginning to provide a better understanding of risk areas (paragraphs 1.25 to 1.27).

**15 Defra was slow to specify roles, responsibilities and funding allocations for its delivery partners and did not always appreciate the impact of its decisions on them.** In January 2020, Defra selected five of its arm's-length bodies as delivery partners for the pilot and SFI2022 until 2024. With the exception of the Rural Payments Agency, which has the most significant immediate role, all the delivery partners said they were frustrated about the lack of clarity over their expected involvement in ELM design. A year after being selected, none of the delivery partners has a formal agreement governing their role. This has led to uncertainty about the activities they are expected to undertake, how many staff they need to commit to the work and how much funding they will receive from Defra. All the delivery partners said that Defra had not fully used their expertise since appointing them. Defra undertook a joint exercise with its delivery partners in February 2021 to set out their roles and funding and is confident that they are now better integrated into the design and governance for ELM following this. Delivery partners confirmed that they had seen recent improvements in Defra's engagement. However, the Rural Payments Agency told us that Defra did not always understand or take into account the operational impact of its own policy decisions on its partners (paragraphs 1.28 to 1.33).

## Delivering the Sustainable Farming Incentive 2022

**16 The recent introduction of SFI2022 was a significant change to the ELM programme and Defra is having to design it quickly.** Defra first announced its decision to phase out direct payments in February 2018 but, at that time, did not intend to give farmers access to a scheme that would provide them with the opportunity to replace income lost through removal of direct payments until 2024. Ministers decided in late 2020 to introduce SFI2022 in part to give farmers an earlier opportunity to replace some of the income lost. This late introduction has required significant changes to Defra's existing plans for ELM. The introduction of SFI2022 prompted the IPA, in its August 2020 review, to report concern that the Programme may be attempting to do too much and creating delivery risks as a result. While Defra will start to reduce direct payments in England from 2021, the Welsh and Scottish governments are maintaining them until 2022 and 2024 respectively, allowing more time to develop alternatives. Even before the introduction of SFI2022, Defra already had concerns about deliverability because of the onset of the COVID-19 pandemic. In April 2020, as Programme resources were being diverted to responding to the pandemic, Defra officials asked ministers for a six-month delay to the start of the pilot because of delivery concerns, and for a smaller initial reduction in direct payments. However, ministers asked Defra to stick to existing plans. Defra established a revised approach to the pilot, including deferring the start of Local Nature Recovery and Landscape Recovery, in July 2020 (paragraphs 1.6 and 2.4 to 2.7).

**17 Defra has removed some risks associated with the launch of SFI2022 in mid-2022 by reducing its scope.** Defra has significantly scaled back the scope of SFI2022 compared with what was set out in Defra's *Agricultural Transition Plan*, published in November 2020, which described its intention to focus initially on "soil management, integrated pest management, nutrient management and livestock management". In June 2021, Defra announced that the initial focus will now be largely limited to soil management. This will reduce the primary risk identified by Defra of overlap with the existing Countryside Stewardship scheme, which will continue alongside SFI2022, and the risk of duplicate payments. It has recently introduced a multi-disciplinary approach for SFI2022 bringing together staff from policy and operational delivery areas in an effort to better co-ordinate policy and operational decisions (paragraphs 2.8 and 2.9).

**18 Despite the steps Defra has taken, risks and uncertainty over the deliverability of SFI2022 remain.** Defra acknowledges that reducing the scope of SFI2022 does not remove some important delivery risks, particularly around staff resources and lack of detailed planning beyond 2021. It has not carried out an overall assessment to demonstrate that SFI2022 is deliverable but has a contingency plan in place to delay the launch if needed. In addition, there are still concerns over aspects of the SFI2022 launch, such as the limited time to test the effectiveness of fraud and error controls and the new payment rates for the initial SFI2022 standards. Tens of thousands of farmers will experience the ELM scheme for the first time when it is launched. Farmers already lack trust in Defra as a result of their previous interactions and failure to launch SFI2022 successfully would cause further reputational damage. This would be likely to reduce longer-term participation in ELM and the environmental benefits it produces (paragraphs 2.10 to 2.12).

Delivering the long-term benefits of the scheme

#### **Ensuring cost-effective delivery**

**19 Defra has set a target to reduce administrative costs compared with existing agri-environment schemes but has not yet developed its approach to achieving these.** Defra has set a cap for administrative costs at 10% of scheme payments, compared with up to 18% under current agri-environment schemes. It based this target on a desired level of savings on current scheme costs, rather than a detailed understanding of the cost drivers in existing and future schemes. Defra expects to achieve its target through a combination of simpler scheme rules, faster and more automated processing of applications, and remote and automated compliance and enforcement. Defra is currently testing the achievability of its 10% cap as part of a review of cost baselines and cost drivers, which it had planned to complete in July 2021. While some elements have been finished, the review is not yet complete owing to lack of resources and the complexity of establishing baselines. Defra is aware that reducing administrative costs may have an impact on other parts of the scheme such as potentially higher levels of fraud and error but has not yet developed an approach to determining where the balance should be (paragraphs 3.2 to 3.4).

**20 Defra has made some progress in developing its approach to fraud and error but is behind where it needs to be.** The National Audit Office (NAO) recommends development of a fraud and error strategy alongside core policy decisions so that appropriate counter-fraud and error controls are designed and implemented from the outset. Defra set out a high-level fraud and error prevention strategy for the Programme in early 2021 but expects to develop its understanding of the fraud risks and mitigations over several years. By now, it should have developed a robust control framework with specific operational procedures for the start of the pilot and SFI2022. Defra believes that the risks presented by not having this in place are mitigated by making use of existing systems and digital infrastructure, and so carrying forward elements of the existing control framework. Defra produced its first fraud risk assessment for the pilot in January 2021, only eight months before its planned launch. An update in May 2021 showed that Defra had yet to develop many of the controls required and, in July 2021, Defra had not yet assigned owners for some of the risks it had identified (paragraphs 3.5 to 3.8).

#### **Engagement with stakeholders**

**21 Defra adapted its engagement plans to respond to the disruption caused by the COVID-19 pandemic.** Defra sees achieving high levels of participation in ELM as vital to delivering environmental outcomes and considers that effective engagement with farmers is important to achieving this. Because of COVID-19 restrictions, Defra put many of its engagement plans on hold, including raising awareness through events such as farmers' markets and a national roadshow. It has instead explored other ways to engage with farmers, including webinars, online forums and launching a 'Future Farming' blog and podcast, which share Defra's current thinking and updates on policy progress. As the lockdown restrictions were lifted, Defra officials attended a number of agricultural shows in summer 2021. Together, these efforts have resulted in an improved general level of engagement compared to previous years (paragraphs 3.9 and 3.17).

**22 Despite these efforts, Defra has not yet regained the trust it needs from farmers to be confident of a high level of participation.** Defra has lost farmers' trust over the years as a result of a long history of difficulties with its management of past agricultural subsidy schemes. Defra sees rebuilding this trust as vital for future participation. Our focus groups, together with a range of other evidence from Defra, provide strong evidence that it has not yet succeeded. Releases of critical information, such as which actions Defra will pay farmers for in the SFI pilot and SFI2022 and how much it will pay, have been delayed, further undermining confidence. To date, Defra has only carried out limited monitoring of its communications activities and has not set any measures to evaluate their success (paragraphs 3.9 and 3.16 to 3.18).

**23 The initial response from farmers to the SFI pilot was below what Defra had assumed.** Defra invited expressions of interest for the SFI pilot in March 2021 with a target to achieve 1,000 participants in this first pilot cohort. The response it received is the first indication of farmers' interest in ELM. Defra was understandably uncertain about the response, but it assumed that between 5,000 and 10,000 would express an interest. In the event, 2,178 responses were received from around 44,000 eligible farmers, a response rate of 5%. A continued low level of interest threatens Defra's ability to achieve its environmental ambitions. Defra had also hoped that participants in the pilot would represent a "wide range of land managers" but may not be able to achieve this with this level of response. Defra is confident that the level of interest provides a "healthy pipeline" to test the many aspects of the scheme but has not shown us any analysis to underpin this confidence (paragraphs 3.20 to 3.23).

**24 Defra has sought to work closely with farming and environmental organisations in the design of ELM, but stakeholders are frustrated about the 'co-design' process and this is not embedded across ELM teams.** Since the outset, Defra has seen co-design as a critical part of its plans to secure participation. However, representative organisations we spoke to felt frustrated about the process primarily because they did not consider they got adequate feedback on how their contributions had been used. In its March 2021 review, IPA reported that the lack of feedback risked an erosion of trust in the co-design process. Defra's own review across the whole of the Future Farming and Countryside Programme indicated some remaining barriers to embedding co-design including its own policy teams' lack of engagement and lack of staff capacity to deliver co-design (paragraphs 3.11 to 3.15).

### **Conclusion on value for money**

**25** Defra and its delivery partners have worked hard in challenging circumstances to design ELM within the planned timescales. However, important elements are not yet in place, creating risks to environmental outcomes and value for money. ELM is not yet underpinned by a strong set of objectives and Defra's planning is too short-term in its focus. Defra also has considerable work to do to ensure ELM is delivered in a cost-effective way including developing its approach to controlling fraud and error and to delivering cost savings.

**26** Achieving the environmental outcomes from ELM depends on high levels of participation. Defra has improved its engagement with farmers, but it still has a lot to do to regain their trust. The late introduction of SFI2022 created additional pressures for Defra and its delivery partners and, to help manage these, Defra has since reduced its scope. Nevertheless, important risks remain and a successful launch of SFI2022 to tens of thousands of farmers will be critical to the ultimate delivery of the intended environmental outcomes.

## Recommendations

**27** Defra should:

- urgently agree a clear, realistic and logical set of strategic objectives for ELM, as required by HM Treasury; this should include developing its understanding of how it will prioritise its objectives and a plan to measure what is achieved against these objectives;
- develop detailed plans that go beyond its short-term delivery priorities based on robust delivery schedules and a long-term detailed critical path;
- regularly check deliverability leading up to the full launch of ELM in 2024; in particular, it should closely monitor the feasibility of delivering SFI2022 on time, based on a better understanding of how long individual tasks will take and what indicators should trigger a delay to the launch of SFI2022;
- assess which elements of SFI2022 will not be fully tested before its launch and ensure appropriate mitigations are in place for the risks associated with rolling out the new scheme without full testing;
- identify the underlying reasons for the lower-than-expected level of interest in joining the first cohort of the pilot and develop measures to ensure future invitations achieve a better response across a wide range of farmers, targeting particular groups, if necessary;
- produce a clear plan, building on the work it has started, for how administrative savings will be achieved, including a timetable and who is accountable for delivery, and how its success will be measured; and
- develop detailed operational procedures against the fraud and error risks identified, and a plan to show how it will achieve and assess progress against its fraud and error objectives.

# Part One

## The strategic management of ELM

**1.1** This Part provides background to the Environmental Land Management scheme (ELM). It then examines: the progress made since we last reported on the programme; ELM's strategic objectives and measures of success; delivery planning; staff resources; and how the Department for Environment, Food & Rural Affairs (Defra) is working with its delivery partners.

### Background

**1.2** The UK farming industry provides more than half of the food we eat and employed 472,000 people in the UK in 2020. The industry makes a significant contribution to the UK's economy and also plays an integral role in how land is managed. The industry comprises around 200,000 farm holdings covering 17.3 million hectares, almost three-quarters (71%) of the UK's land area (**Figure 1**).

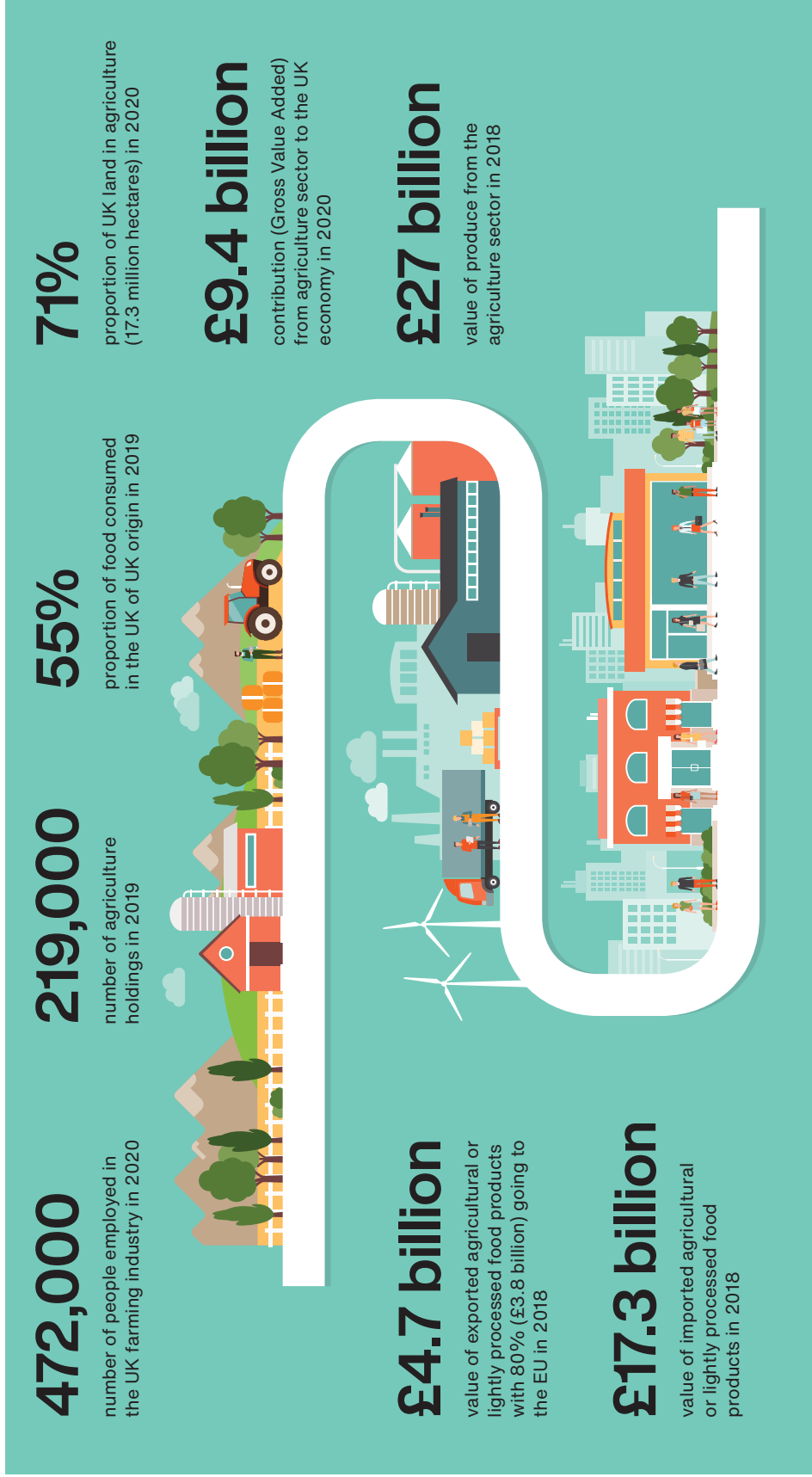
**1.3** The farming industry is going through a prolonged period of significant change and uncertainty as a result of:

- falling yields as a result of more extreme weather conditions including widespread floods and heatwaves;
- the impact of the COVID-19 pandemic on farm incomes from non-agricultural activities;
- the prospect of increased competition as a result of new international trade deals; and
- uncertainty caused by EU Exit including more complex processes for the export of animal products, food and live animals.



**Figure 1**  
Agriculture in the UK 2018–2020: at a glance

The agriculture sector plays a significant role in the UK's economy, food supply and land use



**Notes**

- 1 The figure uses the latest 2020 data (where available). Data from 2019 and 2018 were also used where 2020 data were not available.
  - 2 Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector. It is the value of the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are directly attributable to that production.
- Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs statistical releases on the UK agriculture sector: *Farming statistics 2020*; *Agriculture in the UK 2019*; *The Future Farming and Environment Evidence Compendium 2019*; and *Total Income from Farming (TIFF) 2020*

**1.4** For more than 40 years, most UK farmers have received subsidies through the EU's Common Agricultural Policy (CAP). Under CAP, English farmers received around £2.4 billion annually and many farmers were reliant on this to support their businesses. Approximately 80% of this was distributed through the Basic Payments Scheme (BPS), which provided direct payments to farmers. BPS delivered some environmental benefits through limited compliance requirements, but is largely based on the area of land farmed. By 2024-25, direct payments are expected to be reduced by 55%, compared with the amount paid to farmers in 2019-20. The Rural Development Programme for England accounts for the majority of the remaining subsidies provided to farmers including, for example, the Countryside Stewardship scheme, which provides financial incentives for farmers and other land managers to look after and improve the environment.

**1.5** In February 2018, Defra published *Health and Harmony: the future of food, farming and the environment in a Green Brexit*, setting out its proposals for replacing CAP.<sup>3</sup> In it, Defra said that EU Exit offered a “once-in-a-generation opportunity to reform agriculture”, describing CAP as “flawed” and land-based subsidies as “bad value for taxpayers”. It set out Defra’s intention to gradually remove direct payments in England over time and replace them with a new agricultural policy underpinned by payment of public money for the provision of public goods.

**1.6** While direct payments will start to be phased out in England over a seven-year period starting from 2021, the Welsh Government is maintaining the same level of direct payments in 2021 and 2022 and, in Scotland, direct payments will be maintained until 2024, allowing more time to develop alternatives. In April 2020, as Programme resources were being diverted to responding to the COVID-19 pandemic, Defra officials recommended to ministers a six-month delay to the start of piloting of ELM and a smaller initial reduction in direct payments. However, ministers asked Defra to stick to existing plans and, following an assessment of the risks and impact, Defra established a revised approach to the pilot, including deferring the start of Local Nature Recovery and Landscape Recovery, in July 2020. Defra did not carry out an Accounting Officer Assessment at this point or seek a Ministerial Direction.

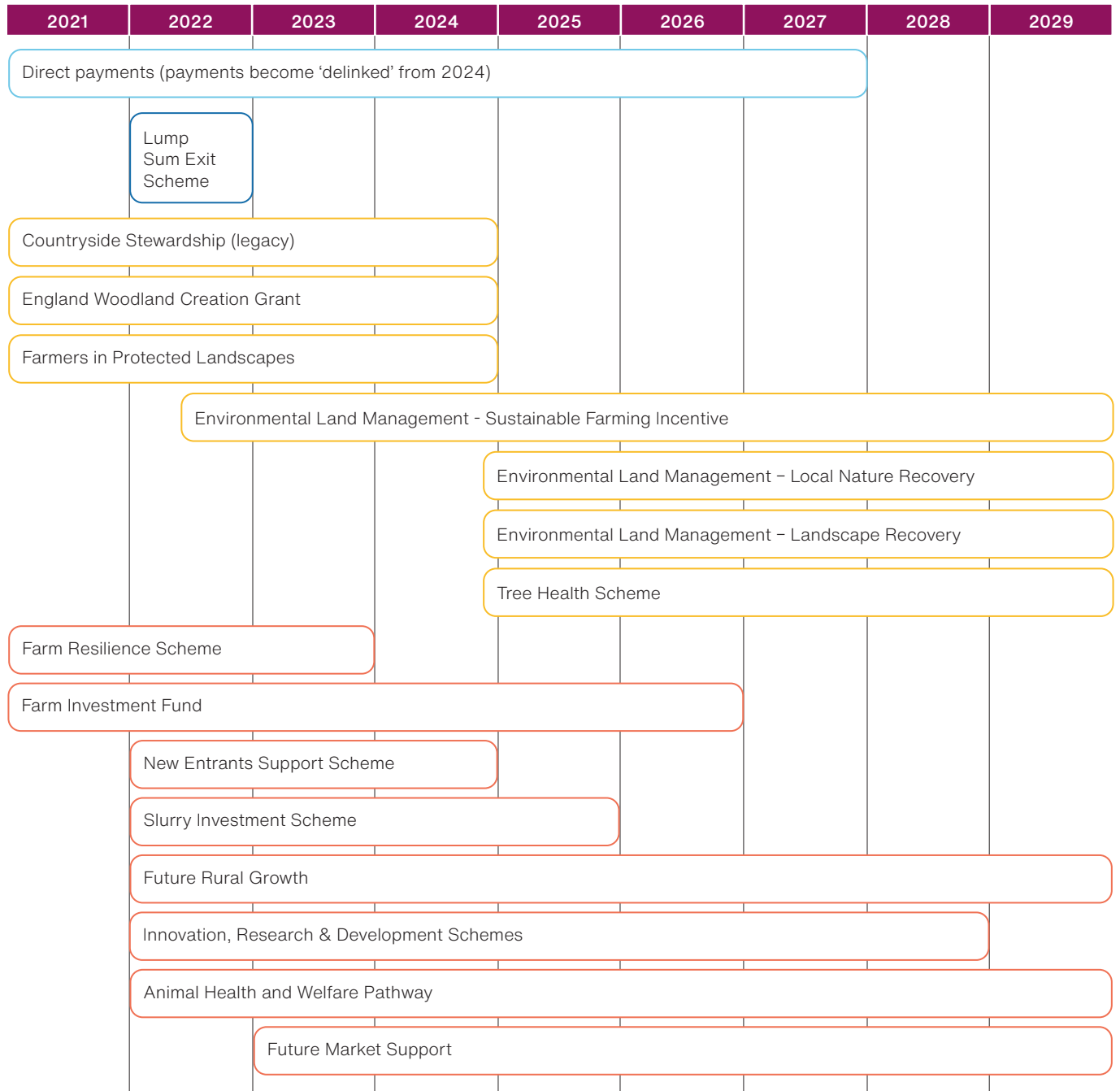
**1.7** Defra is responsible for developing and implementing the Future Farming and Countryside Programme, which will comprise a range of schemes targeted at enhancing the environment, protecting the countryside, improving the productivity of the farming sector and improving animal health and welfare. **Figure 2** on pages 17 and 18 lists the schemes that are currently proposed. In January 2020, Defra selected some of its arm’s-length bodies as delivery partners to help with delivery until 2024 but has not yet decided whether they will provide support beyond 2024.

3 Department for Environment, Food & Rural Affairs, *Health and Harmony: the future of food, farming and the environment in a Green Brexit*, Cm 9577, February 2018.

**Figure 2**

Timeline of schemes operating under the Future Farming and Countryside Programme 2021 to 2029

The Department for Environment, Food & Rural Affairs will be operating new agri-environment and productivity schemes in parallel with continuing legacy schemes such as direct payments and Countryside Stewardship



- Direct payments
- Agri-environmental schemes
- Productivity schemes
- Lump Sum Exit Scheme

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**Figure 2** *continued*

Timeline of schemes operating under the Future Farming and Countryside Programme 2021 to 2029

**Notes**

- 1 Legacy schemes include the Countryside Stewardship scheme and direct payments which will end in 2024 and 2027, respectively.
- 2 Direct payments are paid to farm businesses based on the amount of agricultural land they maintain. In 2024, the government plans to 'delink' direct payments from the land for all farmers. This means that recipients will no longer have to farm the land to receive the payments, for the remainder of the transition period.
- 3 Agri-environment schemes provide funding to farmers to encourage environmentally friendly practices and promote farming actions which support biodiversity, soil quality, enhance the landscape and other environmental goods.
- 4 Productivity schemes support farmers to invest in specific equipment or encourage practices which boost farm productivity and efficiency.
- 5 The Lump Sum Exit Scheme offers farmers who wish to exit the industry the option of taking a lump sum payment in place of any further direct payments. The scheme is expected to launch in 2022.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs public announcements and documentation

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**1.8** ELM is the central mechanism for distributing funding previously paid under CAP. Under ELM, instead of offering CAP direct payments, the government will pay farmers to undertake certain actions that will contribute to clean air, clean and plentiful water, thriving plants and wildlife, reduction in and protection from environmental hazards, mitigation of and adaptation to climate change, and enhanced beauty, heritage and public engagement with the environment.

**1.9** Defra is planning to launch ELM in full in 2024. It will have three components:

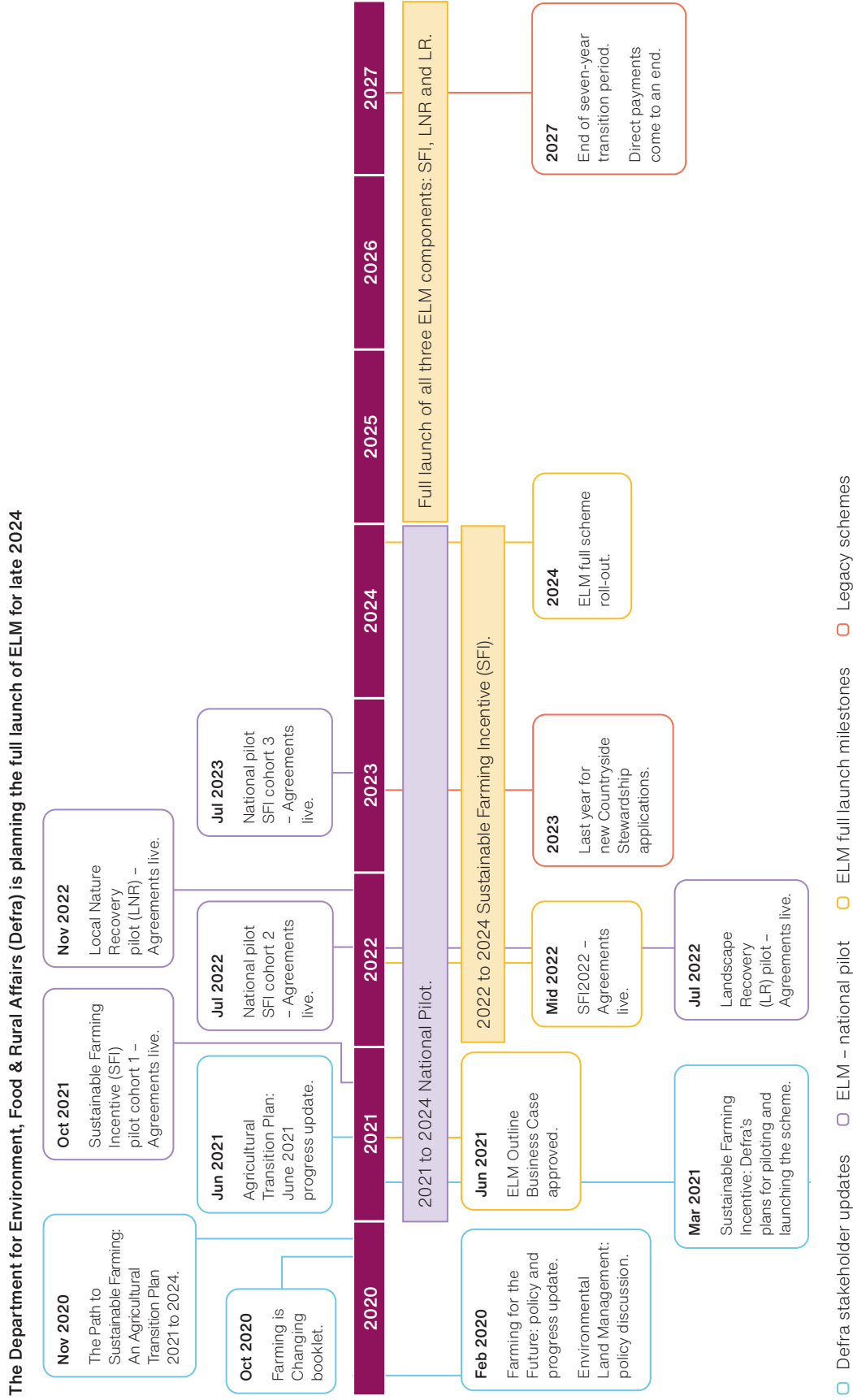
- **The Sustainable Farming Incentive (SFI):** this will be open to all farmers and will pay them for actions to manage their land in an environmentally sustainable way.
- **Local Nature Recovery:** this will pay for more complex actions that deliver benefits at a local level and aims to encourage collaboration between farmers.
- **Landscape Recovery:** this will support large-scale projects to deliver landscape and ecosystem recovery through long-term land-use change projects such as large-scale tree-planting and peatland restoration.

**1.10** In the June 2021 update of its *Agricultural Transition Plan*,<sup>4</sup> Defra committed to maintaining current average levels of spending on farming of £2.4 billion per year in England over the life of this Parliament. The government is also funding environmental improvements through initiatives such as the Nature for Climate Fund, which will see £640 million spent on trees and peat restoration over the course of this Parliament. Defra's current planning assumptions provide a detailed profile of forecast expenditure based on the assumption that the current funding of £2.4 billion a year will be available throughout the agricultural transition period to 2027, but this is subject to future financial settlements. By 2024-25, 57% of the annual budget of £2.4 billion will be available for schemes providing environmental and animal welfare outcomes, primarily through ELM. Over this Parliament, Defra envisages spending 30% of the funding released for environment, climate and animal health and welfare outcomes on farm-level actions mainly through the SFI. The remainder will be spent on locally tailored initiatives (mainly through Local Nature Recovery and Countryside Stewardship) and landscape-scale interventions (through Landscape Recovery and Nature for Climate projects). By 2028, Defra's current plans are for total spend to be evenly split between farm-level, locally tailored, and landscape-scale investment within ELM.

**1.11** Before launching ELM in full in late 2024, Defra is planning to pilot its three components starting with a first cohort of farmers in October 2021. Initially, this will be limited to SFI and Defra aims to involve around 1,000 participants with further participants added over time to reach 3,500. Piloting Local Nature Recovery and Landscape Recovery will commence in 2022. In addition, Defra intends to launch some core elements of SFI at scale in mid-2022 in a scheme we refer to as SFI2022. This will allow farmers to start earning income as direct payments start to be phased out. SFI2022 will initially have a narrow scope but will expand over time. **Figure 3** overleaf shows the timeline for launching ELM.

4 Department for Environment, Food & Rural Affairs, *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024*, November 2020.

**Figure 3** Timeline of key Environmental Land Management scheme (ELM) milestones, Common Agriculture Policy (CAP) transition and stakeholder updates 2020 to 2027



**Note**

1 Defra's stakeholder updates included the six announcements made between February 2020 and June 2021 (Defra stakeholder updates) which provided the sector with information on ELM and the transition away from legacy Common Agriculture Policy schemes.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs stakeholder announcements and documentation

**1.12** Alongside the pilots and SFI2022, Defra has also continued its ‘tests and trials’ programme which started in 2018. Defra expects the learning from all these to help shape the full ELM launch in late 2024:

- Pilots are intended to provide learning in areas such as: ease of use of the current process and systems; accessibility and applicability of technical guidance; whether participants need advice; testing costs of administration; and approaches to compliance and farm inspections.
- SFI2022 is intended to test user experience and some of the core standards (environmental actions Defra will pay for) at scale including the attractiveness of the new payment rates.
- Tests and trials are intended to provide learning on how specific elements of the ELM scheme could work with different user groups and geographies covering: land management plans; what advice and guidance participants need and how it can be provided; identifying local priorities through spatial prioritisation; mechanisms of collaboration between farmers; approaches to setting payment rates; and innovative delivery mechanisms (for example, reverse auctions).

**1.13** Defra expects the reduction in direct payments and introduction of the new schemes to have a significant impact on farm profits, but there is considerable uncertainty over the size of that impact. Data from Defra show that 38% of farmers would have made a loss over the period 2017-18 to 2019-20 without direct payments and everything else stayed the same. Reliance on direct payments varies by farm type and location. Based on our analysis of data from the Farm Business Survey for the period 2017-18 to 2019-20, the average net profit for farms in England would have been 53% lower without direct payments. For mixed farms, the average would have been 80% lower, while grazing livestock farms would on average have made a loss (**Figure 4** overleaf). The impact on net profits from direct payments removal is substantial across all English regions, with decreases in average net profit ranging from 47% to 60% (**Figure 5** on page 23). Defra is currently undertaking further analysis to support the business case for the Future Farming and Countryside Programme. It will incorporate forecasts of the impact of other factors in addition to the phasing out of direct payments, including profits from new agri-environment and productivity schemes, potential rent reductions and the least productive farm businesses leaving the sector.

**Figure 4**  
 Change in average annual farm net profit without direct payments by farm type, 2017-18 to 2019-20  
 Grazing livestock farmers in England would see the greatest impact to net profit from direct payments removal



**Notes**

- 1 Data used in the figure are derived from the Farm Business Survey. This is an annual survey commissioned by the government that provides information on the financial position and physical and economic performance of farm businesses in England. The sample size includes 1,750 farms across various regions in England.
- 2 Net profit is equivalent to farm business income which represents the financial returns to farmers and holding directors.
- 3 All data points represent an average of three years from 2017-18 to 2019-20.



**Figure 5**  
Change in average annual farm net profit without direct payments by region, 2017-18 to 2019-20

East Midlands farmers would see the greatest impact to their net profit with the removal of direct payments



**Notes**

- 1 Data used in the figure are derived from the Farm Business Survey. This is an annual survey commissioned by the government that provides information on the financial position and physical and economic performance of farm businesses in England. The sample size includes 1,750 farms across various regions in England.
- 2 Net profit is equivalent to farm business income which represents the financial returns to farmers and holding directors.
- 3 All data points represent an average of three years from 2017-18 to 2019-20.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs data from the Farm Business Survey

## Progress since the previous National Audit Office (NAO) report

**1.14** We reported on the early stages of the development of the Future Farming and Countryside Programme in June 2019 and raised concerns then about the scale of work involved in the transition to the new Programme. Given farmers' reliance on existing EU subsidies, we also raised concerns about whether Defra had allowed sufficient time to introduce its proposed changes to the way the farming industry is supported. We recommended that Defra needed to have a realistic plan and ensure that decisions affecting farmers were made in time to allow for system design and to enable farmers to plan their businesses. Since then, Defra has faced huge new challenges, notably responding to COVID-19 and its ongoing work on EU Exit.<sup>5</sup> The biggest impact on ELM has been reduced staff capacity.

**1.15** Despite this, Defra has made progress, including:

- further policy development and the publication of the *Farming for the future policy discussion document* (February 2020) and the *Agricultural Transition Plan* (November 2020),<sup>6</sup> providing some more information to farmers on the future design of ELM;
- establishing a programme of tests and trials to test aspects of ELM design with real users, such as the role of advice and guidance and the use of land management plans. The programme was initiated in 2018 and, as at June 2021, had 78 tests and trials under way;
- submitting the outline business case for ELM, covering funding for piloting from 2022-23 to 2024-25, which was approved in June 2021;
- publishing an update to the *Agricultural Transition Plan* in June 2021, which provides further updates on progress and sets out the broad principles that will be used to guide Defra's approach to setting payment rates for environmental schemes during the agricultural transition; and
- launching the first stage of the pilot.

**1.16** The Infrastructure and Projects Authority (IPA) carried out a review of ELM in March 2021 and commented on the considerable progress made.<sup>7</sup> It highlighted continuing risks to delivery and gave ELM a delivery confidence assessment of amber. The review judged that successful delivery of the Programme was feasible but that there were significant issues to be managed that could be resolved if dealt with promptly.

<sup>5</sup> Comptroller and Auditor General, *Early review of the new farming programme*, Session 2017-2019, HC 2221, National Audit Office, June 2019.

<sup>6</sup> Department for Environment, Food & Rural Affairs (Defra), *Farming for the future: Policy and progress update*, February 2020; Defra, *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024*, November 2020.

<sup>7</sup> Infrastructure and Projects Authority (IPA) assurance reviews are undertaken by independent review teams commissioned by the IPA.

## ELM's strategic objectives and measures of success

**1.17** HM Treasury's *Green Book* highlights the importance of having up to five or six SMART (specific, measurable, achievable, realistic and time-limited) objectives for all programmes.<sup>8</sup> Clear objectives are needed for effective appraisal, planning, monitoring and evaluation.

**1.18** Defra has set out its high-level vision for ELM, to secure a range of positive environmental benefits and to help tackle some of the environmental challenges associated with agriculture, but HM Treasury guidance requires another level of more specific strategic policy objectives to turn the vision into an implementable programme. Defra's outline business case sets out a more detailed set of 24 SMART objectives linked to the government's 25-Year Environment Plan and net zero carbon ambition.<sup>9</sup> However, these are described as provisional and indicative. Defra recognises that they will need to be prioritised as the estimated cost of delivering them in full is significantly above the annual budget for ELM.

**1.19** Defra told us that, before firm objectives for ELM can be set, the government has to make some fundamental decisions on its approach to meeting UK carbon budget targets, to be set out in the forthcoming Net Zero Strategy, and legally binding targets to be set in the Environment Bill by October 2022. As part of the approval process for ELM's outline business case, HM Treasury asked Defra to set out when it would produce a set of prioritised SMART objectives and to provide evidence that these are informing scheme design. This work is in progress, but Defra told us that it was dependent on these wider government decisions.

**1.20** The lack of SMART objectives for ELM makes it difficult for Defra to monitor and evaluate the success of the programme. Defra also acknowledges that it does not yet have a benefits realisation plan for ELM.

## Delivery planning

**1.21** The lack of detailed forward planning has been a recurrent issue both for the wider Future Farming and Countryside Programme and for ELM:

- We reported in 2019 that Defra did not yet have a “detailed, complete and realistic critical path” in place for the Programme.<sup>10</sup>
- IPA's review of the Programme (August 2020) recommended that the Future Farming and Countryside Programme urgently develop a programme plan including key milestones and dependencies and the overall critical path.
- IPA's March 2021 review of ELM raised a key concern that while the next six-month delivery phase was clear, future phases lacked a clear and robust plan.

<sup>8</sup> HM Treasury, *The Green Book: Central government guidance on appraisal and evaluation*, 2020, 2020.

<sup>9</sup> HM Government, *A Green Future: Our 25 Year Plan to Improve the Environment*, 2018.

<sup>10</sup> See footnote 5.

**1.22** Defra has developed detailed delivery plans for the current phase of ELM, but these do not go beyond 2022. The current high-level programme plan for ELM beyond March 2022 is incomplete, with particular gaps in the analysis of the dependencies between different workstreams. Defra is working on this as part of developing the critical path for the wider Future Farming and Countryside Programme. Defra committed to HM Treasury in the strategic business case for the Future Farming and Countryside Programme in August 2020 to follow best practice in delivery planning. It undertook to draw on IPA cross-government examples as well as its own experience from previous programmes and lessons learned to inform its plans and cost estimates and to provide assurance that its schedules and plans are realistic and achievable. To meet this commitment, Defra has recruited staff with relevant experience from across government and held sessions with other departments to share good practice. However, we have not seen evidence that it has formally assessed its approach against these examples.

**1.23** In March 2021, Defra established a new reporting structure for the Programme to provide better management information around delivery confidence and risks. It has established new weekly meetings of project managers and a Leadership Forum that brings together project managers and planners from across the Programme. Reports to ELM senior management include: weekly status reports on progress against SFI pilot milestones; a fortnightly 'aerial view' setting out the high-level ELM programme plan, milestones and decisions that have been or are due to be made; and a monthly information pack covering delivery of wider ELM components to 2024. The first meeting of a new Risk Management Assurance Group for the Programme was held in August 2021. The monthly information pack for June 2021 gave planning for phase two of ELM, starting in April 2022, an amber/red rating as detailed plans were still being developed and there remained a lower level of confidence and maturity for these plans.

**1.24** Defra told us it had focused on short-term delivery, and the team responsible for launching the first cohort of the SFI pilot has plans at a day-by-day level. But plans beyond the pilot and into 2022 are less mature, being at a month-by-month level, and plans beyond 2022 just set out the key milestones to 2024. It has recently incorporated more detailed reporting of delivery risks in the medium term (2022-2024) into its monthly information packs.

### **Staff resources**

**1.25** As of July 2021, there were 169 Defra staff dedicated to working on ELM as well as staff in its arm's-length bodies and additional resources (for example in communications and co-design, commercial and finance) drawn from the wider Future Farming and Countryside Programme. There have been long-standing issues with staff capacity and capability across both ELM and the wider Future Farming and Countryside Programme. In 2019, we reported high vacancies across the Programme.

**1.26** Defra’s monthly management information for ELM during 2020 shows a significant staff shortfall against estimated staff requirements. The October and November 2020 reports show staff numbers at only 55% of the estimated requirement, a shortfall of around 90 full-time equivalent staff. The reports attribute this to the impact of COVID-19 and recruitment delays.

**1.27** The situation in 2021 has improved. Defra reported 22 vacancies in July 2021, 12% of the estimated required workforce. However, risks remain. The IPA review of ELM in March 2021 highlighted the risk to successful delivery from resource issues relating to capability, staff experience and the ongoing pressure on staff to deliver against a challenging schedule. Our interviews with Defra staff (conducted between February and April 2021) highlighted continued concerns about capability, including in programme and project management, business analysis and digital skills, and difficulties in accessing the additional capability needed due to the ongoing demand for these skills across government. Defra continues to rate staff resourcing as a major risk, particularly for phase two of ELM (2022-2024). The May 2021 management information pack showed resources for phase two as an amber/red risk because Defra did not yet fully understand the resource requirements and that significant changes to its programme management approach would require different capabilities that may not be in place. Defra planned to complete an audit of ELM programme and project management skills by February 2021 but this was de-prioritised because of staff shortages caused by COVID-19 restrictions and is now planned for autumn 2021. It has also begun to improve staff management information, tracking its vacancies in more detail and reporting these to senior management.

### **Working with delivery partners**

**1.28** Towards the end of 2019, Defra invited its arm’s-length bodies to put forward proposals to undertake part of the work required for ELM up to 2024. The invitation was sent to the Environment Agency, the Forestry Commission, Natural England, the Joint Nature Conservation Committee and the Rural Payments Agency. The bidding process invited arm’s-length bodies to submit proposals against the functions and capabilities required by Defra, but it did not provide details of the work needed. Defra informed arm’s-length bodies that selection would be guided by the “flexibility and scalability” offered by delivery partners given the uncertainty over the budget and scale of what was required.

**1.29** In January 2020, Defra assigned delivery partners to each of the areas of functionality required for the national pilot with:

- the Rural Payments Agency providing administrative and transactional functions;
- the Environment Agency, the Forestry Commission, Natural England and the Joint Nature Conservation Committee providing subject matter expertise; and
- the Environment Agency, the Forestry Commission and Natural England providing adviser functions.

**1.30** We interviewed all the selected delivery partners between February and March 2021. Over a year on from the selection process, four out of the five were frustrated by the lack of clarity of their roles in ELM delivery. The Rural Payments Agency, which has the most significant immediate role, said it was clear about its role at least in relation to more immediate delivery milestones. Defra intended to provide delivery partners with a formal memorandum of understanding governing their role but by August 2021 (19 months after they were appointed) had not done so. Defra has de-prioritised work on the memorandum because of staff shortages.

**1.31** All delivery partners told us that the uncertainty over Defra's demand on their resources and the budgets it would allocate to them was making it difficult to plan their activities. For example, Natural England told us that Defra only confirmed its budget allocation a few days before the start of the financial year (2021-22). The Forestry Commission was concerned that Defra may call on it at short notice without allowing the lead time needed to ensure it had appropriate staff resources in place. We also heard from the Environment Agency and Natural England that it was critical for them to understand the resource they would need for ELM as their advisory roles are skilled jobs and recruitment and training require long lead times. The Rural Payments Agency told us that Defra did not always understand or take into account the operational impact of its policy decisions. Without clarity over their role or resources, delivery partners are having to rely on uncertain assumptions.

**1.32** All the delivery partners told us that Defra had not fully used their expertise in the design of ELM since appointing them. The chief executive officer of the Rural Payments Agency was appointed as the accounting officer for the ELM pilot, and felt more engaged in scheme design and governance, but saw further opportunities to offer expertise and experience across wider aspects of ELM. One area of concern for the Forestry Commission and Natural England was how the provision of specialist advice to farmers would be built into the ELM design. Defra acknowledges the importance of advice and will use the Local Nature Recovery pilot to test how it can best be provided. However, it has decided not to use the SFI pilot to test aspects of this such as who will pay for advice and how it will be accredited to ensure quality. While the delivery partners did not expect all their recommendations to be taken on board, they saw the provision of advice as a fundamental design issue and felt that Defra had not adequately explained why their views had not been taken on board.

**1.33** Defra undertook a joint exercise with all delivery partners in February 2021 to set out their roles and funding. This included confirmation of the delivery model to 2024 and fully funded delivery requirements to March 2022. Defra recognises that a degree of uncertainty still remains but is confident that the delivery partners are now better integrated into the design and governance for ELM. The Rural Payments Agency confirmed this view, saying that the process of its engagement with Defra was still developing and that Defra was taking an iterative approach to developing policy with its delivery partners and has worked closely with the Agency in developing delivery plans for the SFI pilot and SFI2022. The other delivery partners also confirmed that there have been improvements in Defra's engagement since our interviews, although some concerns remain over how their experience and expertise is utilised and continued funding uncertainty beyond March 2022.

## Part Two

### Delivering the Sustainable Farming Incentive 2022

**2.1** This Part focuses on how the Department for Environment, Food & Rural Affairs (Defra) is managing the delivery of the Sustainable Farming Incentive 2022 (SFI2022). This is the first component of the Environmental Land Management scheme (ELM) and is scheduled to be launched to tens of thousands of eligible farmers in mid-2022. We examine the decisions and approaches that Defra is taking to manage the risks to SFI2022 launch.

#### **The introduction of SFI2022**

**2.2** SFI2022 is being introduced in mid-2022 in part to provide farmers with the opportunity to earn some income between the start of reductions in direct payments in 2021 and the full roll-out of ELM in 2024 (**Figure 6**). Defra also sees SFI2022 as a learning opportunity in advance of the full roll-out of ELM in 2024, running alongside the ELM pilots and the tests and trials.

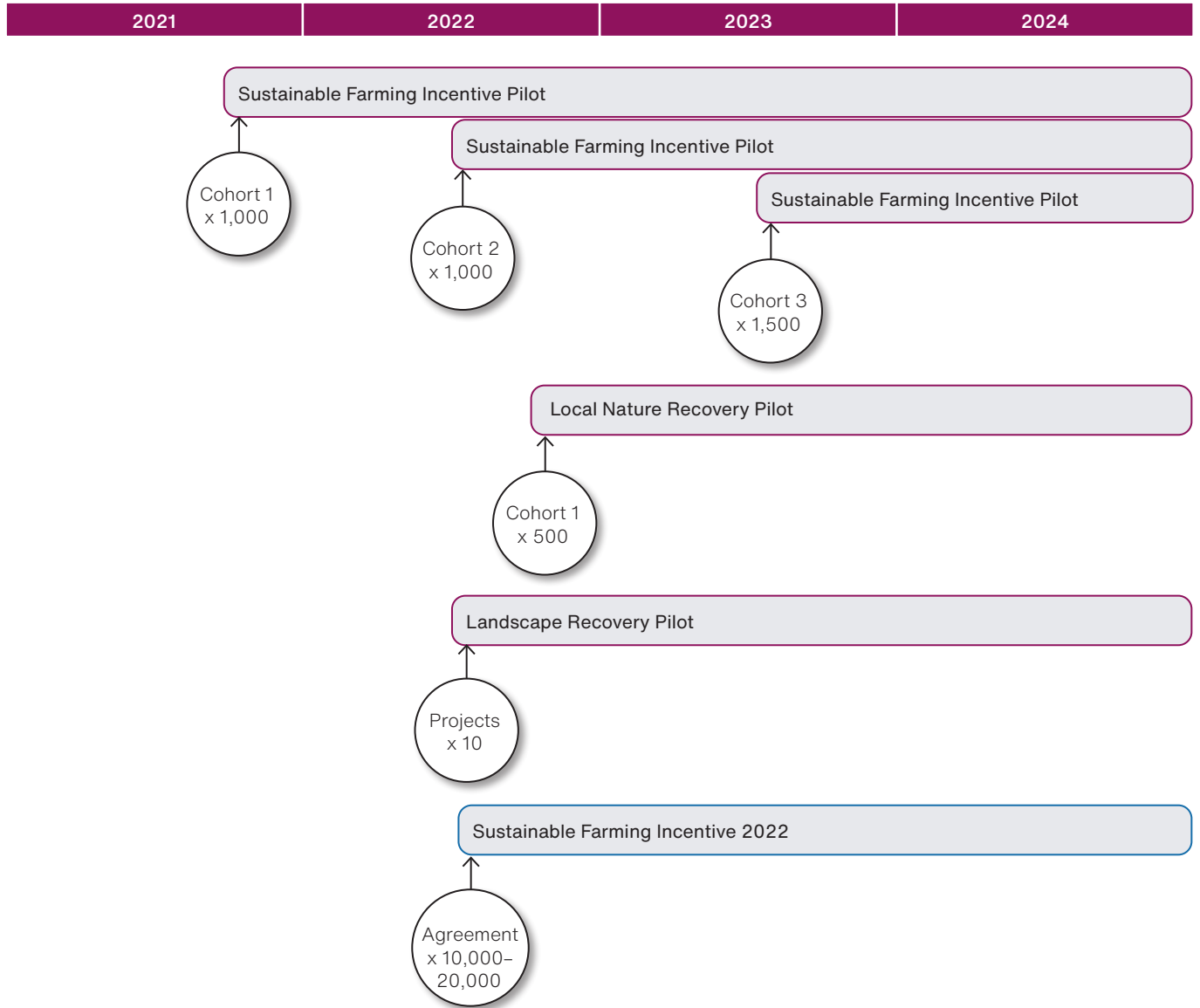
**2.3** In advance of SFI2022, Defra is planning to pilot the Sustainable Farming Incentive (SFI) starting with a first cohort of 1,000 farmers in October 2021. The SFI pilot will test how farmers respond to the scheme's design and systems, the approach to farm inspections and compliance, and ease of use of current systems and technical guidance. The SFI pilot is also aiming to test Defra's assumptions on reducing administrative costs. However, the pilot will not be testing the new customer facing 'front-end' of the IT system Defra is developing as it was not ready in time for the pilot (see Figure 6). There is also limited time to test the effectiveness of fraud and error controls and the new payment rates for the initial SFI2022 standards.



**Figure 6**

Environmental Land Management scheme and national pilot timetable 2021 to 2024

The Department for Environment, Food & Rural Affairs (Defra) plans to launch the Sustainable Farming Incentive 2022 (SFI2022) only six months after the start of the SFI pilot



- National pilot
- SFI2022

**Notes**

- 1 The cohort numbers represent the number of farmers Defra expects to participate in the relevant pilot phase.
- 2 Defra expects between 10,000 (low ambition) to 20,000 (high ambition) farmers to participate in SFI2022 in the first year of the scheme launch.

Source: National Audit Office analysis of the Department for Environment, Food & Rural Affairs Environmental Land Management planning and management documents (July 2021)

**2.4** Defra's *Health and Harmony* consultation document in February 2018 first indicated the intention to phase out direct payments but, at that time, Defra did not intend to give farmers access to a scheme that would provide them with the opportunity to replace income lost through removal of direct payments until 2024. Defra provided further details in the *Farming for the future policy and progress update* in February 2020.<sup>11</sup> Given the long-planned phasing out of direct payments, we find it surprising that SFI2022 was only agreed by ministers in September 2020 and publicly announced in the *Agricultural Transition Plan* in November 2020 (**Figure 7**). Following the decisions by ministers, the project scope and initiation was only presented to the ELM Board in December 2020.<sup>12</sup>

**2.5** The introduction of SFI2022 was a significant change to the ELM programme. It prompted the Infrastructure and Projects Authority (IPA) in its August 2020 review of the wider Future Farming and Countryside Programme to raise a concern that the Programme may be attempting to do too much and creating risk to delivery as a result. We heard from several Defra teams that the introduction of SFI2022 had resulted in a significant shift in their delivery plans.

**2.6** Defra's delivery partners also told us about the impact it had on them. Natural England highlighted the increased time pressure to develop elements such as the regulatory baseline and fraud and error processes. The Rural Payments Agency said that SFI2022 was exposing it to greater risk due to the potential high levels of participation and the resulting impact of the high customer demand on its resources.

**2.7** Given the timing of the decision, the planning and decision-making for SFI2022 is being undertaken quickly. Defra made a public announcement in June 2021 providing more details on the design of SFI2022. However, Defra documents from the end of April 2021 show that, with only two months to the announcement, fundamental policy design decisions were yet to be made about the range of actions taken by farmers that Defra would pay for in the initial roll-out of SFI2022 and the payment rates for farmers to undertake these actions.

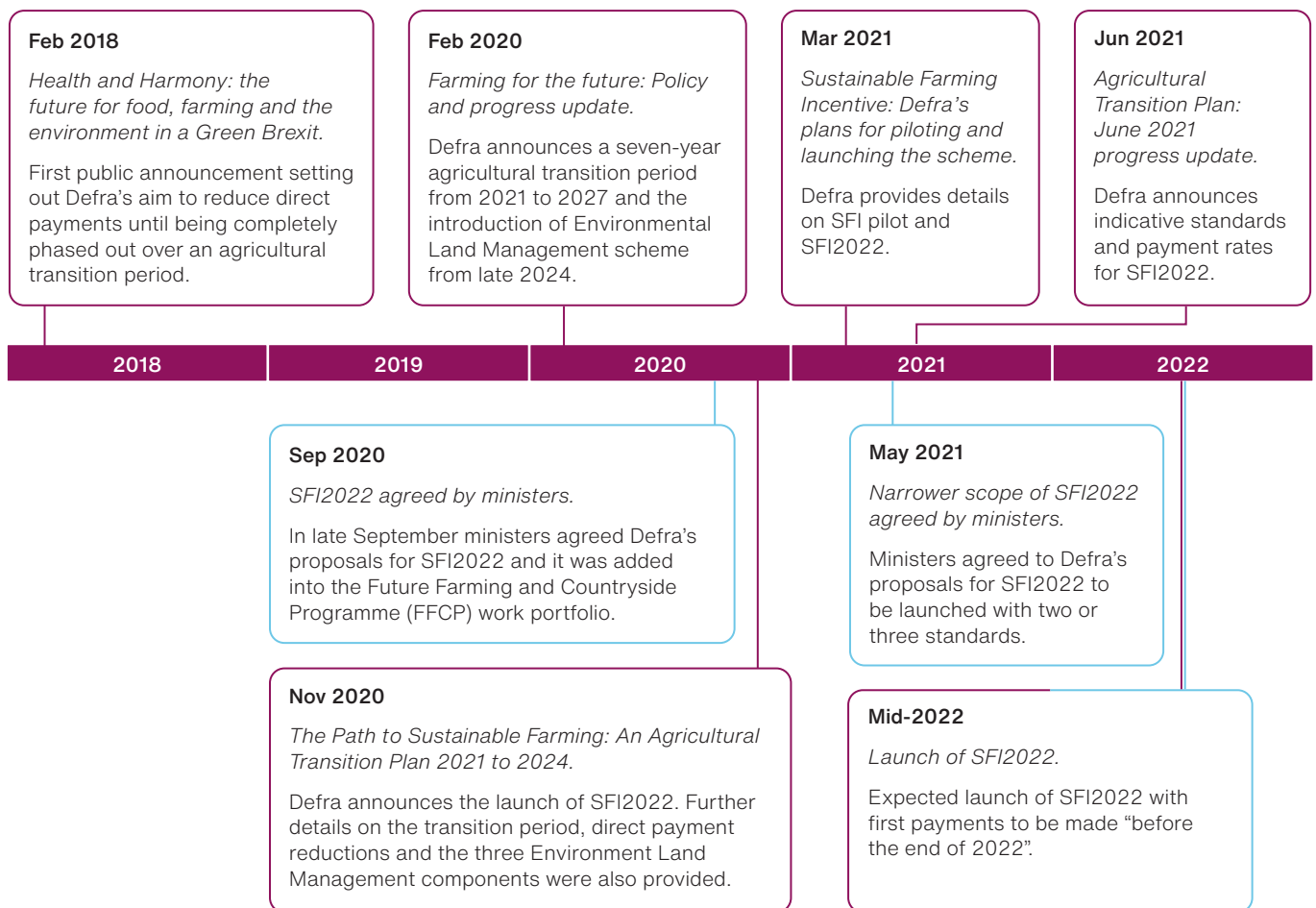
<sup>11</sup> Department for Environment, Food & Rural Affairs, *Health and Harmony: the future for food, farming and the environment in a Green Brexit*, Cm 9577, February 2018; Department for Environment, Food & Rural Affairs, *Farming for the future: Policy and progress update*, February 2020.

<sup>12</sup> Department for Environment, Food & Rural Affairs, *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024*, November 2020.

**Figure 7**

Timeline of key public announcements by the Department for Environment, Food & Rural Affairs (Defra) relating to direct payments reductions and the introduction of SFI2022, 2018 to 2022

**Defra announced plans to move away from direct payments in February 2018 but only decided to introduce SFI2022 as an additional income stream for farmers in September 2020**



- Public announcements
- Internal Defra decisions on SFI2022

**Notes**

- 1 The Sustainable Farming Incentive (SFI) is the first component of the Environmental Land Management scheme.
- 2 SFI2022 is the early roll-out of some core elements of the full SFI scheme which is intended to be rolled out in late 2024.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs policy papers and Sustainable Farming Incentive 2022 documents

## Managing the risks of the SFI2022 launch

**2.8** Defra has taken action to reduce risk at the initial launch of SFI2022, most notably by reducing the range of actions for which farmers will be paid. The *Agricultural Transition Plan* announcement in November 2020 described SFI2022 as initially focusing on “soil management, integrated pest management, nutrient management and livestock management”.<sup>13</sup> However, in June 2021, Defra announced that the initial focus of the offer to farmers would be largely limited to soil management with an additional action covering an assessment of moorland habitats. In doing so, as well as making the scope more manageable and straightforward for farmers, Defra aimed to minimise the overlap with the current Countryside Stewardship scheme and therefore the risk of double payments and stakeholder confusion.

**2.9** Defra continues to work on mitigating the risks in advance of the launch in mid-2022. It told us that significant changes to the way it is managing the delivery of SFI2022 in the first half of 2021, including the formation of a multi-disciplinary team bringing together staff from policy and operational delivery areas, were helping to reduce the risks further by better coordinating policy and operational decisions. Defra also told us it has undertaken significant user engagement which is providing further assurance for the launch. We have not seen evidence of the more recent work Defra has been undertaking and its impact on reducing risks.

**2.10** Despite the steps Defra has taken, risks and uncertainty over the delivery of SFI2022 remain. Defra assessed the deliverability of the digital requirements but, as at May 2021, had not carried out an overall assessment of whether the delivery of SFI2022 is feasible. In addition, its own reporting in June 2021 indicated significant risks remain to SFI2022 delivery, particularly around staff resources and the lack of detailed planning beyond 2021. Defra has also acknowledged that the narrower than planned scope of SFI2022 could mean that farmers find the offer disappointing compared with what had been announced in the *Agricultural Transition Plan*. Defra told us it had contingency plans in place to delay the launch of SFI2022 to later in 2022, if necessary.

**2.11** In addition, a number of issues remain which Defra recognises it needs to manage:

- The extent to which SFI2022 will look and feel different: Defra has highlighted the importance that ELM offers a different experience from that of existing agri-environment schemes as it knows farmers have negative experiences of Countryside Stewardship. For SFI2022, it is planning to introduce a new user front-end for farmers’ applications aimed at providing this new look and feel. However, Defra told us it may have to revert to existing Countryside Stewardship systems if the new front-end is not ready in time.

13 See footnote 12.

- The limited time to learn from the SFI pilot before the launch of SFI2022: Defra acknowledges that the time between launching the first cohort of the SFI pilot and the initial launch of SFI2022 (see Figure 6) provides limited time to learn and implement lessons. For example, Defra is concerned about the limited time available to test the effectiveness of fraud and error controls and to adjust them in advance of SFI2022, potentially leading to higher than acceptable levels of fraud and error (see Part Three for a fuller discussion of fraud and error planning).
- Defra also has limited time to test the effectiveness for some elements of SFI2022: for the initial launch of SFI2022, Defra is developing new payment rates which will be higher than existing Countryside Stewardship payment rates for the same action. Defra acknowledges that it will be difficult to determine how attractive these will be to farmers. Defra intends to increase rates over time if participation is low, which also increases the risk of 'deadweight loss' (paying some farmers more than is needed to incentivise participation) and is considering more innovative payment mechanisms to deliver its uptake requirements while minimising deadweight loss. Defra does not yet have enough information (including on the value of environmental outcomes) to understand how to balance the value of increased participation and resultant environmental outcomes with the increased deadweight loss. It has initiated a long-term research programme to improve quantification of the value of environmental outcomes. Frequent adjustments to payment rates could result in ongoing uncertainty for farmers and potentially dampen demand.

**2.12** At the time of our 2019 report, Defra's intention was to run a three-year pilot before the roll-out of ELM in 2024 and for this to be a full end-to-end test of all the components of ELM. The introduction of SFI2022 means that a live scheme is being introduced at scale with little time to learn from the pilot. Tens of thousands of farmers will experience part of the ELM scheme for the first time when it is launched. Defra is confident of a successful launch but, if it does not go smoothly, the longer-term reputational damage to ELM and its full launch in 2024 could be substantial, especially given the current low level of farmers' trust in Defra (discussed in Part Three). A mismanaged launch could therefore reduce longer-term-participation in ELM and the environmental benefits it produces.

## Part Three

### Delivering the long-term benefits of the scheme

**3.1** This Part considers whether the Department for Environment, Food & Rural Affairs (Defra) is providing a sufficient foundation for the full launch of the Environmental Land Management scheme (ELM) from 2024. It examines what Defra is doing to ensure cost-effective delivery and the effectiveness of its stakeholder engagement.

#### Ensuring cost-effective delivery

##### Scheme administration costs

**3.2** The cost of administering agri-environment schemes in England has varied widely depending in part on their complexity. Defra has set a cap of 10% for ELM administrative costs on the basis of it being mid-way between the Basic Payments Scheme, estimated at 4%, and Countryside Stewardship at 18%. Our work on major programmes across government shows that achieving administrative cost savings requires a detailed plan for how these savings will be realised.<sup>14</sup> However, Defra has not yet developed its detailed approach to this nor carried out an assessment of what is achievable.

**3.3** Defra's expectation is that it will be able to achieve its cost reductions through a combination of simpler scheme rules, faster and more automated processing of applications, and remote and automated compliance and enforcement. Its business case acknowledges that its estimates of scheme costs need to be refined, but it does not expect to produce fully detailed, evidenced costings for the final programme until its business case for Phase 3 (covering 2024–2028). Defra is currently testing the achievability of its 10% cap as part of a review of cost baselines and cost drivers. This review was due to be completed in July 2021. While some elements have been finished, the review is not yet complete owing to lack of resources and the complexity of establishing baselines. The pilot will provide an opportunity to test some means for providing savings, although the use of existing IT infrastructure means that these opportunities are limited.

<sup>14</sup> Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019–2021, HC 960, National Audit Office, November 2020.

**3.4** In developing its plans for administrative costs, Defra needs to take account of the potential trade-offs between reducing these costs and the impacts on other aspects of the scheme. For example, tests and trials indicate that providing expert advice to participants through the scheme results in better environmental outcomes but funding this advice would increase overall administrative costs. The costs associated with controlling fraud and error are a significant component of administrative costs and so administrative costs are in large part dependent on fraud and error risk appetite. Defra is aware of these trade-offs and has started to consider them as part of its review of costs, but does not yet have the data and evidence necessary for it to fully understand what drives the costs of existing schemes, or to determine the correct balance for delivering its overall objectives in the most cost-effective manner. It intends to develop this work to inform the next iteration of the Future Farming and Countryside Programme business case in autumn 2021.

#### Fraud and error

**3.5** Controlling the level of fraud and error is vital to ensure compliance with regulations and ultimately the effectiveness of ELM in achieving its environmental aims. The National Audit Office (NAO) expects Defra to monitor and report on fraud and error and, in our annual financial audits of the Rural Payments Agency and of the Defra Group, we will examine fraud and error levels annually and report on our findings. In 2019, we highlighted the need for fraud and error prevention measures to be incorporated early into policy design.<sup>15</sup> Our experience shows that, in designing programmes, departments need to consider their risk appetite and regulatory approach alongside policy design. Failure to do so risks designing policies that are too burdensome or impossible to regulate and may prevent the creation of realistic and proportionate controls. In 2019, we recommended that Defra should identify its long-term aspirations for fraud and error prevention by setting targets for the Programme and then establishing appropriate monitoring, audit and reporting procedures.

<sup>15</sup> Comptroller and Auditor General, *Early review of the new farming programme*, Session 2017–2019, HC 2221, National Audit Office, June 2019.

**3.6** While Defra has made some progress on its approach to fraud and error, there is still much more to be done, particularly with respect to developing operational procedures that control the risks. Currently, Defra is focused on counter-fraud for the Programme as a whole rather than tackling the specific risks and delivery approach associated with ELM. Defra produced a Counter Fraud and Error Prevention Strategy for the Programme in early 2021, setting out its approach at a high level. It sets out principles to be followed and an approach to developing understanding of the fraud risks and mitigations available. Defra also issued guidance in April 2021, setting out how grant scheme managers can work to prevent fraud and error throughout design and implementation. However, Defra is still developing its approach to fraud and error and expects this process to continue beyond 2024 as ELM is fully rolled out, and it is currently operating without a full understanding of the fraud and error risks associated with ELM.

**3.7** Defra has determined its risk appetite for fraud and error by setting a 'materiality threshold' for the scheme. This is the proportion of total expenditure lost through fraud or error that it judges to be acceptable. The materiality threshold for the Common Agricultural Policy (CAP) set by the European Commission was 2%, with an average detected rate between 2015 and 2019 of 1% for the Basic Payment Scheme and 3% for the more complex Rural Development Programme for England. In March 2021, Defra agreed that a materiality threshold of 2.5% would be used as a planning assumption for ELM. This was based on the understanding that, although achieving the prior threshold of 2% would be difficult, the risk appetite should be low enough to adequately protect public money, rather than on a detailed assessment of the fraud risks, as scheme design is not yet progressed enough to allow this. Defra sees this as an ambitious target given the historic rates of irregularity in agri-environment schemes, and correctly highlights in papers to the Board that counter-fraud and compliance expertise needs to be brought in at design stage to help advise on potential risks and mitigations to achieve this. For the Sustainable Farming Incentive (SFI) pilot, Defra has set a range of between 3% and 5% to allow flexibility for learning and testing of new approaches that may not work.

**3.8** Although there has been progress since our last report, Defra's strategy still lacks a detailed indication of the specific operational controls it will use to manage fraud and error, and how it will measure the success of its approach. Its fraud risk assessment for the pilot produced in January 2021 and the update in May 2021 indicate that many of the controls required are yet to be developed and, in July 2021, it has yet to assign owners for many of the risks it had identified. Defra told us that it is carrying forward elements of the existing control framework and believes that this mitigates the risks associated with not having a fully developed control framework in place.



## Engagement with stakeholders

**3.9** Gaining the trust of farmers is one of eight ‘guiding principles’ for the design and implementation of ELM that Defra set out in its *Agricultural Transition Plan*.<sup>16</sup> Failure to gain buy-in from farmers will lead to low participation and a failure to deliver environmental objectives and could even cause harm to the environment. There is a long history of difficulties with Defra’s management of subsidy schemes. Changes to CAP in 2005 led to inaccurate and late payments to farmers. The failure of the ‘CAP delivery programme’, a major overhaul of CAP systems and processes by the Rural Payments Agency, and its impact on farmers, were documented in two of our reports in 2015 and 2016.<sup>17</sup> Although there have been improvements since then, this history of mismanagement means Defra is starting from a low base of trust. Defra has delayed its releases of critical information to farmers, such as which actions it will pay farmers for in the SFI pilot and SFI2022 and how much it will pay, and this has further undermined confidence.

**3.10** Defra views 2021 and the start of the 2021-2027 delivery phase as year one of seven in its efforts to regain farmers’ trust. However, Defra has had three years since the publication of *Health and Harmony: the future for food, farming and the environment in a Green Brexit* in February 2018 to regain the confidence of the farming industry, and farmers have been looking for increased clarity and detail on Defra’s proposals since then.<sup>18</sup>

## Co-design

**3.11** Defra views co-design as a critical part of its plans to secure participation in ELM and the wider programme. It defines co-design as “working collaboratively with farmers, land managers and others who use or deliver our services, to identify, understand and solve real problems with them, seeking continuous input and feedback as we iterate our services to meet their needs”.

<sup>16</sup> Department for Environment, Food & Rural Affairs, *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024*, November 2020.

<sup>17</sup> Comptroller and Auditor General, *Early review of the Common Agricultural Policy Delivery Programme*, Session 2015-16, HC 606, National Audit Office, December 2015; Comptroller and Auditor General, *Progress on the Common Agricultural Policy Delivery Programme*, Session 2016-17, HC 727, National Audit Office, October 2016.

<sup>18</sup> Department for Environment, Food & Rural Affairs, *Health and Harmony: the future of food, farming and the environment in a Green Brexit*, Cm 9577, February 2018.

**3.12** To facilitate co-design, Defra has:

- established a programme of tests and trials with farmers covering six priority areas of ELM design. Learning is gathered through monthly thematic reports and reports for each individual test and trial;
- established the ELM Engagement Group incorporating around 30 important stakeholders (including farmer representative organisations and environmental charities) and satellite groups working on specific ELM workstreams;
- run external stakeholder events; and
- established a learning strategy and a central co-design team.

**3.13** Despite these steps, stakeholders remain frustrated with the co-design process. In our interviews, members of the ELM Engagement Group reported a lack of time to review documents before being asked for feedback and that the size of the ELM Engagement Group meeting made it difficult for participants to get their views across. Most participants felt there was insufficient transparency about how their input was being used due to a lack of feedback from Defra. COVID-19 has led to significant delays to the tests and trials programme and there are concerns over how well learning is used.

**3.14** The Infrastructure and Projects Authority (IPA) has also raised concerns over co-design. In March 2021, it noted that, while there was real drive and professionalism backing a commitment to deliver tests and trials, it had concerns about how learning would be used and embedded. The review noted that a lack of feedback to participants could erode trust in Defra's commitment to co-design.

**3.15** In response to these issues, Defra established a new approach to engagement. It reformed the ELM Engagement Group in early 2021, replacing monthly meetings with quarterly sessions supplemented by smaller groups on specific topics. However, a review of co-design by Defra across the whole of the Future Farming and Countryside Programme in April 2021 highlighted several outstanding concerns, including:

- inconsistent project delivery approaches between teams within the Programme making it difficult to plan co-design;
- policy teams' lack of understanding and engagement in co-design; and
- insufficient staff capacity and capability to deliver co-design priorities to the desired standard.

## Direct engagement with farmers

**3.16** As well as engaging with representative organisations, Defra has sought to engage directly with farmers. We conducted seven focus groups with farmers and found that, while participants were generally supportive of ELM and keen to engage, there were strong and consistent concerns about Defra's approach (**Figure 8**).

Defra's October 2020 farmer opinion tracker survey highlighted issues with how farmers view their relationship with Defra, including doubts that the relationship will improve and concerns about the lack of detail in the information provided by Defra affecting their ability to plan their businesses (**Figure 9** on pages 42 and 43). A Rural Payments Agency communications survey carried out from January to March 2021 found that only 4% of respondents were 'very prepared' for upcoming changes in farming and 37% 'not at all prepared'. In addition, 41% of respondents said they did not know what SFI was.

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### Figure 8

National Audit Office focus groups with farmers, April to May 2021

**Our focus groups highlighted strong and consistent concerns about the Department for Environment, Food & Rural Affairs' (Defra) engagement with farmers**

Findings from our focus groups included:

- **There has been a lack of information provided to participants over Defra's plans.** Participants in most of our focus groups commented on how little information they felt they had been given by Defra on the Environmental Land Management scheme (ELM). Participants were unsure which actions they would be paid for under the new scheme or how much.
- **The lack of information is resulting in tangible impacts on business decision-making.** Participants in almost all of our focus groups described putting business decisions on hold until more clarity was provided.
- **Participants were concerned about the messaging around the role of farmers in managing environmental impacts.** Several focus groups featured discussions of the way the farming sector was being portrayed by Defra. Participants felt that farmers were portrayed as the problem and were unduly criticised when many farmers are already taking actions to protect the environment.
- **Participants were not convinced that Defra understands the complexities of the farming sector.** Participants felt that Defra was making plans on a one-size-fits-all approach that would not meet their specific circumstances. Particular concerns were raised by tenant farmers and those farming on common land. Both of these groups had additional complexities that they felt were not being reflected in ELM.

#### Note

- 1 The National Audit Office held seven focus groups with farmers and foresters in April and May 2021. Focus group participants were primarily recruited through representative bodies (see Appendix Two). A small number of participants were from associated professions such as farm vets and farming consultants.

Source: National Audit Office focus groups

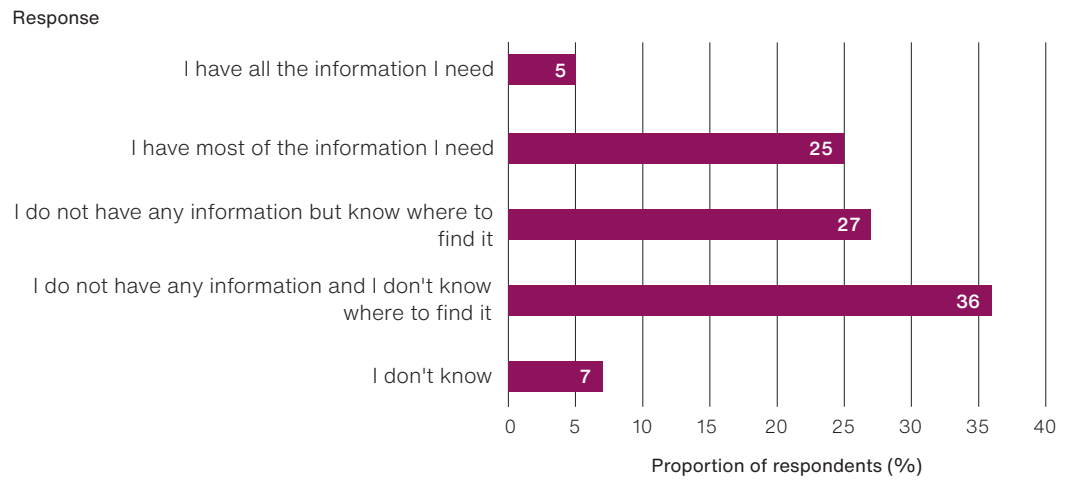
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**Figure 9**

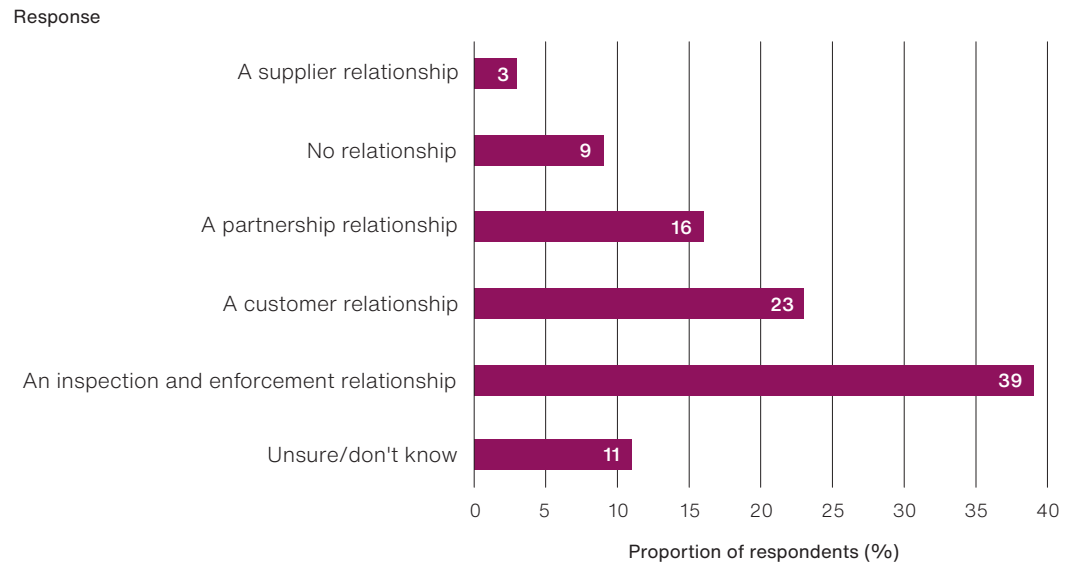
Results from Department for Environment, Food & Rural Affairs' (Defra) Farmer Opinion Tracker Survey for England, October 2020

**Defra's survey highlighted farmers' concerns about the information available for business planning and their relationship with Defra**

**Proportion of holdings that have the information they need to inform business planning**



**Farmers' view of their current relationship with Defra and delivery partners**



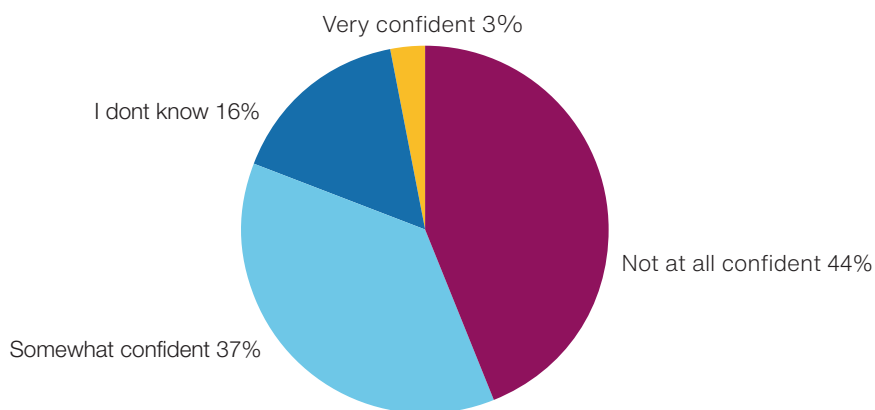
**Notes**

- 1 The results are based on surveys sent to a representative sub-sample of the farming community in England, approximately 6,000 holdings of which Defra received 1,223 responses.
- 2 Defra delivery partners include the Rural Payments Agency, Natural England, Environment Agency and Forestry Commission.
- 3 Figures may not sum to 100% due to rounding.

Source: National Audit Office analysis of Department for Environment, Food & Rural Affairs' Farmer Opinion Tracker Survey (October 2020)

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**Proportion of holdings that believe their relationship with Defra and Defra agencies will develop positively in the future**



**Open text comments**

- Many comments described a lack of hope and feeling nervous, doubtful and angry about the future. This was in relation to many different factors which create a cumulative impact, such as lack of policy clarity, uncertain trade deals, the reduction in Basic Payment Scheme, late payments, future regulations, COVID-19 and climate change.
  - In some cases, there was lack of confidence in Defra to implement the agricultural policy changes and doubt for the future of farming. This was partly linked to a belief that Defra is lacking the understanding about the practicalities of farming life and in turn was “out of touch” and not “farmer-friendly”.
  - There was specific feedback about regulation and enforcement and the role of the Rural Payments Agency. This included a damaged relationship due to failure to make payments on time and difficulty speaking to caseworkers.
-

**3.17** Defra's plans for engaging directly with farmers have been significantly disrupted by COVID-19. Defra had originally intended to raise farmers' awareness through attending events such as farmers' markets, country shows and through running a national roadshow, but none of these were possible during lockdown. Instead, it has developed other ways of communicating with farmers, with outreach sessions including online workshops, attendance at external events, webinars, meetings with specific stakeholder groups, blogs and podcasts (including launching a 'Future Farming' blog and podcast, which share Defra's current thinking and updates on policy progress). As the lockdown restrictions were lifted, Defra officials attended a number of agricultural shows in summer 2021. In March 2021, the IPA reported that Defra's engagement activities had resulted in positive and significant improvements since the previous year.

**3.18** Defra's most recent communications strategy for ELM, prepared in June 2020, does not include any detail on how its success will be measured. Without this, Defra cannot be confident that its communications are reaching the full range of stakeholders or that the level of trust is improving. Measures of success could include levels of awareness among farmers, opinions on the scheme and success in reaching hard-to-reach farmers. The communications strategy for the wider Future Farming and Countryside Programme, agreed in January 2021, has a clearer indication of the quantitative and qualitative tools it will use to assess success, but does not set any targets or key performance indicators. To date there has been only limited monitoring of either of these strategies.

**3.19** Defra is now contracting with an external supplier for more regular monitoring of farmer opinions from a wider sample of farmers than is currently achieved through Defra's own surveys.

#### SFI pilot expressions of interest

**3.20** As a first step in the launch of the SFI pilot, Defra invited expressions of interest for the first cohort in March 2021 with a target to achieve 1,000 participants in this first pilot cohort. It was understandably uncertain about the likely level of response but assumed between 5,000 and 10,000 would express an interest. During the four-week window Defra allowed, it received 2,178 responses from an eligible population of around 44,000 farmers, a response rate of 5%. Defra was pleased with this response and was confident that the level of interest would provide a "healthy pipeline" to test the scheme across a wide range of participants. However, the low level of response compared with Defra's assumption may indicate a low level of interest in ELM in the longer term, and this could have implications for achieving Defra's long-term environmental objectives, which are heavily dependent on a high level of participation.

**3.21** One reason for the low response may be that Defra reduced the time available to raise farmers' awareness of the pilot to make up for earlier delays. **Figure 10** overleaf shows the impact of repeated re-planning of milestones for the SFI pilot while the launch date remained fixed. In October 2020, the plan was to allow 49 days between starting to raise awareness of the pilot and inviting expressions of interest. This had reduced to just 15 days by February 2021. Although Defra has a formal change control process governing changes to its major milestones, the impact on the response rate was not considered.

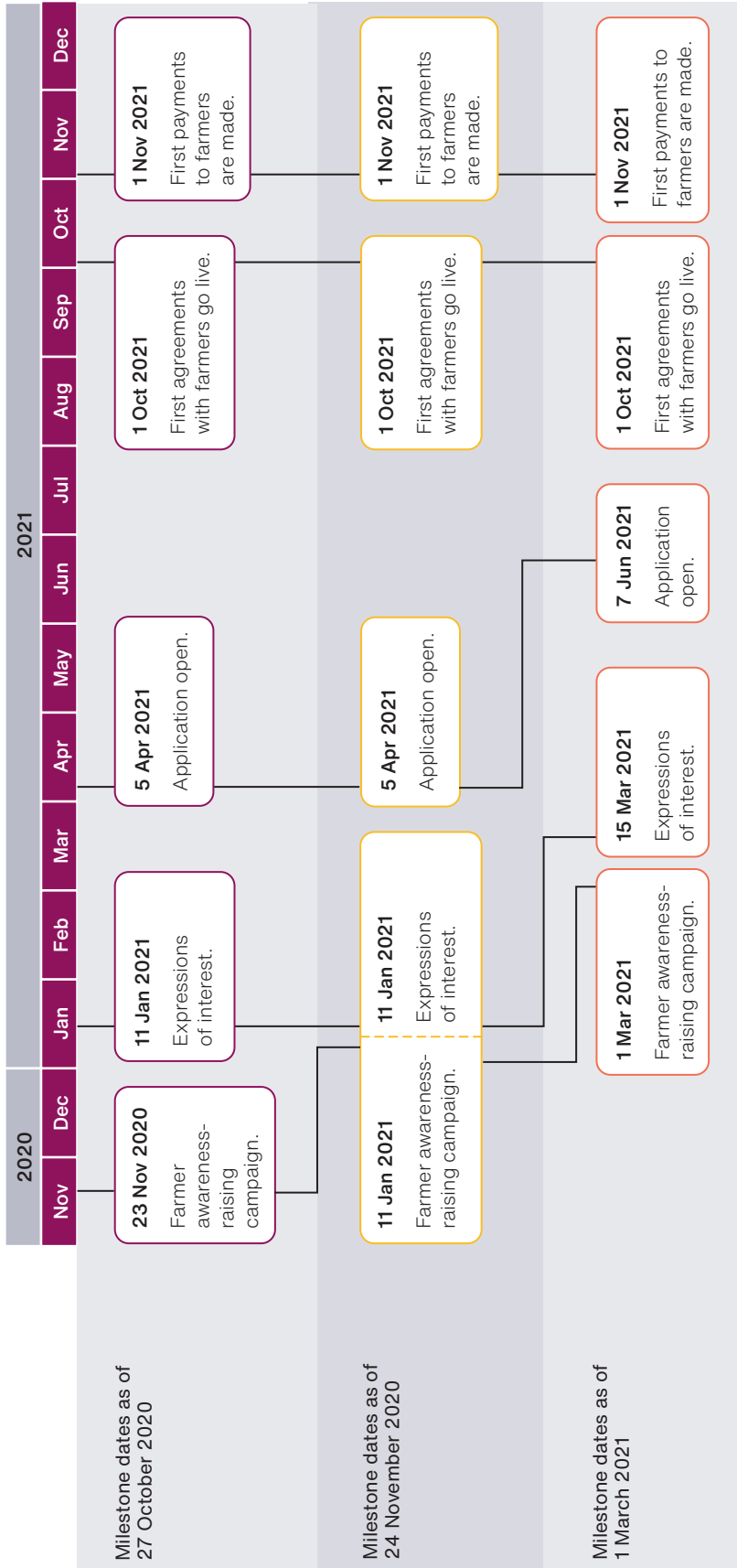
**3.22** Defra wanted to use the pilot to test the ELM approach with a "wide range of farmers and land managers". To do this, it had planned to carry out a targeted selection process but, as a result of the low response, it is now reliant on achieving high sign-up rates across the board to achieve the numbers it wants. Even if it successfully recruits 1,000 participants for the first cohort of the pilot, it may not be able to achieve a representative sample in terms of farm type and region. Undertaking the pilot application process will be more complex and time-consuming for farmers than expressing an interest, which did not commit farmers to anything and only required them to tick a single box on the Rural Payments Agency's website. The drop-out rate between expressing an interest and applying to join the pilot is not yet known but, based on past experience with other schemes, both Natural England and the Forestry Commission expect it to be higher than the drop-out rate from Countryside Stewardship schemes, with Natural England indicating it could be up to 60%. Defra has highlighted the risk of pilot learning being compromised as a result of low participation and has now decided to invite all those who expressed an interest to apply for the SFI pilot.

**3.23** Defra highlighted several factors that it hoped the pilot cohort would cover including farm type, region, land tenure, farm size, age of participants, established farmers and new entrants, experience of previous agri-environment schemes and level of digital literacy. Our analysis shows that it is unlikely to be successful on all these factors. For example, smaller farms are likely to be significantly under-represented among pilot participants: only 32% of the responses were from small- or medium-sized farms (under 50 hectares) while these farms represent 59% of the farm population in England. Conversely, dairy and mixed farms are significantly over-represented among those that expressed an interest. The size and profile of the first cohort of participants are therefore uncertain and, although Defra is confident that the cohort will provide the learning it needs, Defra has not carried out any analysis to show that its overall approach will provide the numbers and range of coverage that it was aiming for.

**Figure 10**

Re-planning of Sustainable Farming Incentive pilot cohort 1 milestones 2020 to 2021

The milestones for the Sustainable Farming Incentive (SFI) pilot cohort 1 have been shifted but the launch dates for agreements and payments to go live remain fixed



**Note**

1 The milestone dates represent the intended dates the Department for Environment, Food & Rural Affairs had planned to meet the relevant milestone.

Source: National Audit: Office analysis of Environmental Land Management scheme weekly update reports



# Appendix One

## Our audit approach

**1** This report evaluates whether the Department for Environment, Food & Rural Affairs (Defra) is managing the Environmental Land Management scheme (ELM) to meet its aims to deliver environmental benefits and achieve value for money.

**2** ELM sits within the wider Future Farming and Countryside Programme (FFCP). We focused on ELM as it is a key part of FFCP and will account for most of FFCP's expenditure. ELM is also a crucial part of Defra's plans to achieve the wider environmental policy objectives encapsulated in the government's 25-Year Environment Plan and to meet its target to reach net zero by 2050.<sup>19</sup>

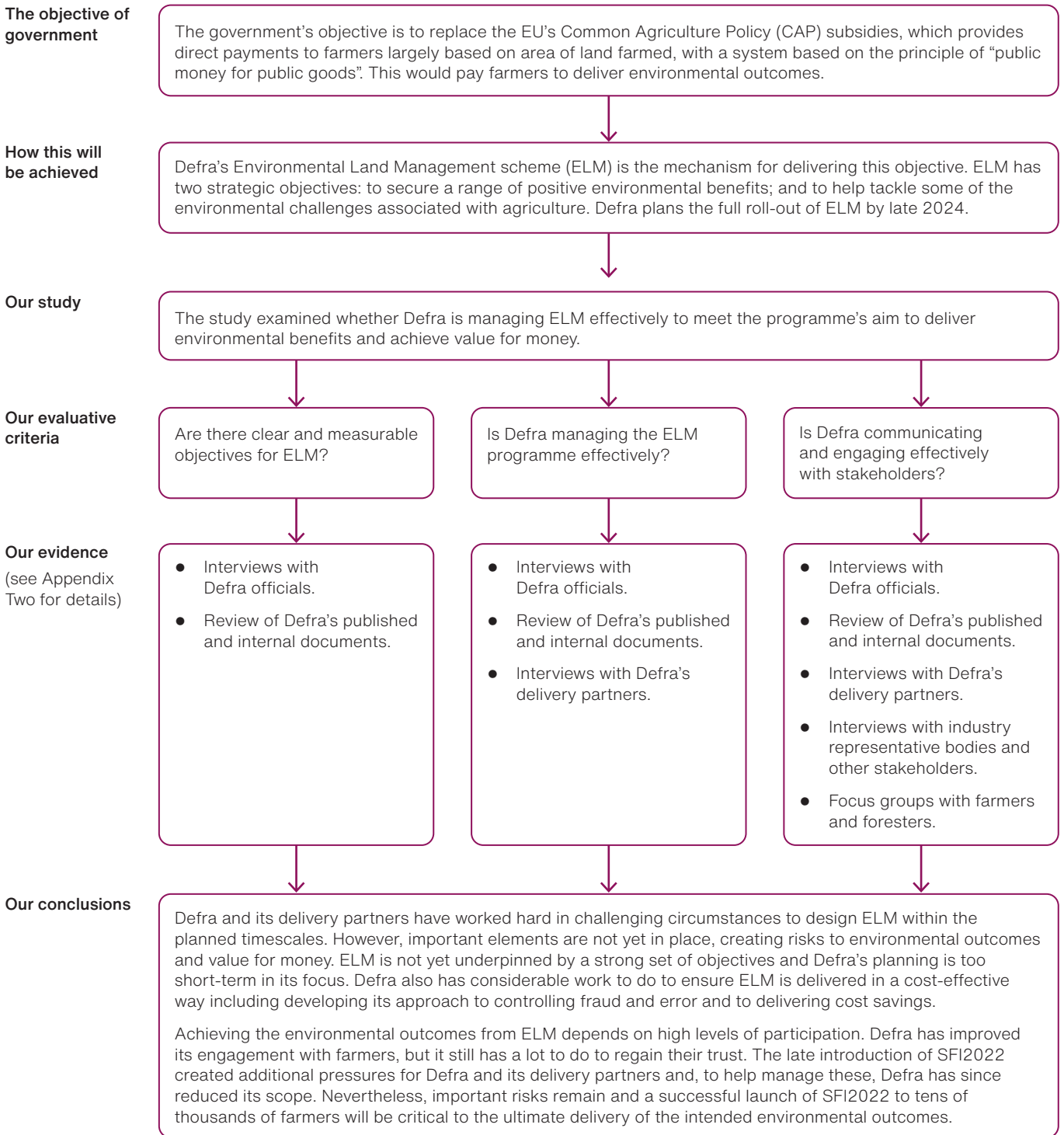
**3** The report examines ELM in three parts:

- Part One looks at how well ELM is being managed to deliver its strategic objectives including whether Defra has: clear objectives for ELM; a clear and realistic delivery plan; sufficient staff resources; and engaged effectively with its delivery partners.
- Part Two covers the short-term delivery risks and challenges of the introduction of the Sustainable Farming Incentive in 2022 and the piloting of ELM.
- Part Three examines the risks to achieving the overall vision for ELM and delivery of its longer-term benefits including: achieving planned savings; developing robust approaches to fraud and error; and Defra's engagement with key stakeholders and farmers.

**4** Our audit approach is summarised in **Figure 11** overleaf and our evidence base is described in Appendix Two.

<sup>19</sup> HM Government, *A Green Future: Our 25 year plan to improve the environment*, 2018.

**Figure 11**  
Our audit approach



# Appendix Two

## Our evidence base

**1** We reached our independent conclusions on whether the Department for Environment, Food & Rural Affairs (Defra) is managing the Environmental Land Management scheme (ELM), to meet the programme's aims to deliver environmental benefits and achieve value for money, after analysing evidence collected between December 2020 and June 2021. Our audit approach is outlined in Appendix One.

**2** In designing and carrying out our work, we took account of our previous report, *Early review of the new farming programme*, which looked more broadly at the Future Farming and Countryside Programme (FFCP).<sup>20</sup> In developing our evaluative questions, we drew on our publication *Lessons learned from Major Programmes*, published in November 2020.<sup>21</sup>

**3 We interviewed staff from Defra and held a number of topic sessions on various aspects of ELM design and implementation.** We conducted 20 interviews with Defra staff. The interviewees covered a range of job grades and areas of responsibility, such as: the FFCP senior responsible owner; FFCP and ELM programme directors; and deputy directors and project leads responsible for specific work areas. We held nine topic sessions covering areas such as: the outcomes framework; programme planning; communications, engagement and co-design; distributional analysis and modelling; financial modelling; agile; delivery of the Sustainable Farming Incentive; and staff resources.

**4 We interviewed Defra's arm's-length bodies (delivery partners) involved in the delivery of ELM** to get their views on Defra's management of ELM and how it was working with delivery partners. Interviews were with:

- Environment Agency.
- Forestry Commission.
- Joint Nature Conservation Committee.
- Natural England.
- Rural Payments Agency.

20 Comptroller and Auditor General, *Early review of the new farming programme*, Session 2017–2019, HC 2221, National Audit Office, June 2019.

21 Comptroller and Auditor General, *Lessons learned from Major Programmes*, Session 2019–2021, HC 960, National Audit Office, November 2020.

**5 We interviewed a range of stakeholder organisations** to get their views on Defra's management of the ELM programme and how Defra was communicating and engaging with them. The organisations we spoke to included:

- Centre for Food Policy, City University.
- Confederation of Forest Industries/Institute of Chartered Foresters.
- Country Land and Business Association.
- Foundation for Common Land.
- National Beef Association.
- National Farmers Union.
- National Federation of Young Farmers' Clubs.
- National Sheep Association.
- Small Farmers Association.
- Sustain.
- Tenant Farmers Association.
- University of Sheffield/University of Reading.
- Wildlife and Countryside Link.

**6 We interviewed officials from other parts of government:**

- HM Treasury.
- Infrastructure and Projects Authority.

**7 We held seven focus groups with a number of individual farmers and foresters.**

The focus groups covered topics including: timeliness of information provided by Defra; challenges to business planning; Defra's approach to co-design; participating in ELM pilots; and other concerns raised by participants. In total the groups included 51 farmers and foresters and were organised to cover a range of farm types from across England with participants recruited through representative organisations:

- arable farmers (recruited through the National Farmers Union Crops Board);
- beef farmers (recruited through the National Beef Association);
- dairy farmers (recruited through the Royal Association of British Dairy Farmers);
- farmers working in national parks (recruited through five of the national park authorities);
- foresters (recruited through the Forestry Commission);
- sheep farmers (recruited through the National Sheep Association); and
- tenant farmers (recruited through the Tenant Farmers Association).

**8 We reviewed published and internal documents from Defra.** The documents included business cases, strategy papers, board minutes, risk assessments, progress reports, finance reports and papers relating to specific work areas (for example, distributional analysis and modelling).

**9 We analysed a range of data provided by Defra and from the National Audit Office's financial audit teams.** This comprised: analysis of forecast costs of Environmental Land Management, grants and administrative costs of Common Agriculture Policy (CAP) schemes, distributional analysis, and Defra farmer surveys and focus group results.



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