

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT DIRECT PAYMENTS TO FARMERS
(REDUCTIONS AND SIMPLIFICATIONS)
(ENGLAND) (AMENDMENT) REGULATIONS 2021

DRAFT AGRICULTURAL (FINANCIAL
ASSISTANCE) REGULATIONS 2021

Thursday 18 March 2021

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The Committee consisted of the following Members:

Chair: IAN PAISLEY

Andrew, Stuart (*Treasurer of Her Majesty's Household*)

Docherty, Leo (*Aldershot*) (Con)

Duguid, David (*Banff and Buchan*) (Con)

Foy, Mary Kelly (*City of Durham*) (Lab)

Freer, Mike (*Comptroller of Her Majesty's Household*)

† Furniss, Gill (*Sheffield, Brightside and Hillsborough*) (Lab)

Harman, Ms Harriet (*Camberwell and Peckham*) (Lab)

Hendrick, Sir Mark (*Preston*) (Lab/Co-op)

Jones, Darren (*Bristol North West*) (Lab)

Jones, Fay (*Brecon and Radnorshire*) (Con)

Keeley, Barbara (*Worsley and Eccles South*) (Lab)

† Morris, James (*Lord Commissioner of Her Majesty's Treasury*)

† Prentis, Victoria (*Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs*)

Pursglove, Tom (*Corby*) (Con)

Throup, Maggie (*Lord Commissioner of Her Majesty's Treasury*)

† Tomlinson, Michael (*Lord Commissioner of Her Majesty's Treasury*)

† Zeichner, Daniel (*Cambridge*) (Lab)

Seb Newman, *Committee Clerk*

† **attended the Committee**

Fifth Delegated Legislation Committee

Thursday 18 March 2021

[IAN PAISLEY *in the Chair*]

Draft Direct Payments to Farmers (Reductions and Simplifications) (England) (Amendment) Regulations 2021

11.30 am

The Chair: Before we begin, I remind hon. Members to observe social distancing and to sit only where it is clearly marked that they should be sitting. Mr Speaker has stated that masks should be worn in Committee, and *Hansard* colleagues would be most grateful if Members sent their speaking notes directly to hansardnotes@parliament.uk.

I will call the Minister to move the first motion and to speak to both instruments. At the end of the debate, I will put the question on the first motion, then ask the Minister to move the second motion formally. I call Minister Prentis.

11.31 am

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Victoria Prentis): I beg to move,

That the Committee has considered the draft Direct Payments to Farmers (Reductions and Simplifications) (England) (Amendment) Regulations 2021.

The Chair: With this it will be convenient to consider the draft Agriculture (Financial Assistance) Regulations 2021.

Victoria Prentis: It is a great pleasure to serve—for the first time, I think—under your chairmanship, Mr Paisley. The matters in these statutory instruments are closely related. They will be made under the powers in the Agriculture Act 2020, and will implement important aspects of the new agricultural policy that we set out in our agricultural transition plan, which was published in November last year.

The first SI sets reductions that will be applied to direct payments made in the 2021 claim year. The Government are committed to phasing out untargeted direct payments over a seven-year agricultural transition period, which will free up money so that we can pay farmers to improve the environment, improve animal health and welfare, and reduce carbon emissions. All funding released from the reductions will be reinvested in new schemes in this Parliament. The reductions will be applied fairly, with higher reductions initially applied to amounts in higher payment bands. The reductions for the 2021 scheme are modest, at 5% for around 80% of farmers. We published the reductions back in 2018, so that farmers would have time to prepare for the changes. The SI sets the reductions for the 2021 claim year only; we will set out the reductions for later years in future SIs.

The SI will make minor amendments to reflect the fact that direct payments will be calculated in sterling from now on. It will also amend the direct payments rules to remove the euro thresholds below which the Rural Payments Agency does not need to recover overpayments or payment entitlements, or to charge interest.

Finally, the SI will make two consequential amendments that were not covered in the Direct Payments to Farmers and Cross-Compliance (Simplifications) (England) (Amendment) Regulations 2020. This SI will remove a redundant cross-reference—I believe it was helpfully picked up by the Joint Committee on Statutory Instruments—relating to the greening rules that were removed by the 2020 regulations. The SI will also change the percentage figure used to calculate young farmer payments, which makes it clear that the value of those payments will not be affected by the removal of the greening payment.

The second SI will put in place financial data publication, enforcement and monitoring requirements for four new financial assistance schemes: countryside stewardship, the farming investment fund scheme, the tree health pilot, and the environmental land management national pilot scheme, which includes the sustainable farming incentive.

The SI will provide a critical opportunity to test, refine and develop environmental land management and tree health schemes in pilot form ahead of their full launch. It will require information about the financial assistance given under those schemes to be published. Information published will include the total payment received by a beneficiary for each scheme they are in, and a description of the activities financed by the payment. Publication of personal data will not be required for payments below a *de minimis* level or in respect of payments made under the tree health pilot where, instead, aggregated data will be published.

On checks, enforcement and monitoring, this instrument provides for a flexible and proportionate framework. Provisions include checking eligibility criteria at the application stage and monitoring compliance with individual grant agreements and scheme conditions. A range of enforcement options is available under the instrument in the event of a breach, including withholding payments and recovering payments previously awarded. The instrument will also provide powers of entry and inspection to enforce compliance—for example, to check or inspect land, livestock or machinery. A formal complaints and appeals process will be available if agreement holders are aggrieved by certain decisions.

In drafting the instrument, the Department for Environment, Food and Rural Affairs engaged with key stakeholders in a targeted consultation exercise between 4 August and 1 September last summer, which very much informed the way in which we wrote this SI.

Taken together, these instruments will implement provisions provided for by the 2020 Act. They will begin the move away from the inefficient direct payments model of the common agricultural policy and provide an important framework allowing new financial assistance schemes to operate effectively, in line with our agricultural transition plan. I commend the instruments to the Committee.

11.36 am

Daniel Zeichner (Cambridge) (Lab): It is a pleasure to serve with you in the Chair, Mr Paisley, for what I think is the first time, and, of course, a pleasure to

continue the ongoing dialogue with the Minister. As ever, she has laid out the measures clearly. As she would expect, I have a critique of them, although I can assure her that we will not be opposing the SIs, because we have no desire to bring an unnecessary number of people into the Committee Room. However, we do have some concerns. We are, as she rightly said, a year on from the discussions on the 2020 Act. We now finally have the tables of reductions that we were considering over a year ago in the legislation, which is a start.

I am interested in the fact that both measures relate to England—paragraphs 3.2 to 3.5 of the explanatory memorandums for these regulations make that clear. I think the wording is quite interesting: it almost lays down a challenge for devolved institutions to follow. Of course, different strategies are being adopted in different parts of the United Kingdom, and English farmers might well feel that they are immediately put at a disadvantage and might wonder why, especially in a week in which Sainsbury's has followed Tesco in demanding lower prices from suppliers. With all the problems facing people at the moment, some might feel that they are not so much being squeezed as strangled.

However, perhaps the key point in the Minister's opening comments, as is now clear from the documents, is that this is the 2021 scheme year—that is, one year only. The Minister will remember discussing what I used to describe as my favourite document. I still have a dog-eared copy here, from a day I will never forget: the rushed-out photocopied versions to give the Secretary of State cover at the Oxford farming conference, as I recall.

In that document, we had the implications for, or what would happen in, subsequent years, and, as the Minister has rightly said, late last year we saw the figures for subsequent years. I wonder why we are doing this one year at a time. The EU used to have a seven-year budgeting period. It seems to me that we are in danger of regressing to annual short-termism, which I do not think is welcome, so I wonder whether the Minister can confirm that—other issues permitting—we will be back here this time next year discussing the 2022 figures, and I suspect in subsequent years, too.

However, that is only half the story, because this is about the reductions. What many people want to know is where the money is going, and how it is to be used. Will all the money being saved go to farmers? I note that the Minister's words were, as ever, carefully chosen, in that it would be used within this Parliament. That is an interesting point, because she is probably much more expert than me on how departmental budgets are managed, but is there a roll-over facility, and if so, where is it? Can we see it? Can we question it? How much do we expect to be spent this year, and how much to be carried over into following years? That matters, because if the money is not spent, I fear that in the current financial climate there may be eyes in the Treasury looking to recoup some of it. The Minister shakes her head knowingly, but I suspect that there are.

Part of the reason I am concerned is that when the SFI was announced last week—I think that was the latest announcement—a few hundred pilots were suggested. A few hundred is very different from the 80,000-plus who receive basic payments. The Country Land and Business Association tells us that, using DEFRA's own

figures, 75% of farming enterprises are unprofitable without direct payments. The problem seems pretty clear to me: there is a major mismatch.

What was also disappointing about last week's announcement is the fact that those on stewardship schemes at the moment do not seem to be eligible to apply for the pilots. While that is perhaps not a departure from a specific promise—clearly, they will be able to transition at some point—people could rightly feel disadvantaged. I worry about where the money might be.

I want to be clear that we want the environmental land management scheme to work. We understand the need to do pilots, and to learn, but it seems very slow and I must remind the Minister that I asked many of the questions I am asking today a year ago. A certain amount of vagueness at that point might have been reasonable, but we need to move on. I hardly need tell her that farmers have to make decisions. The cycle is long, and people need to look ahead, but it is hard to make business decisions when they are uncertain about levels of support.

The Minister might remember that on one or two occasions I was quite cross about some of the language used in my favourite document. I thought that we had got past that, but on the policy background, paragraph 7.2 of the explanatory memorandum to the direct payments regulations contains this assertion:

“Direct payments are untargeted, can inflate land rent prices and can stand in the way of new entrants.”

All that is true, but it could also be said that they are universal, relatively simple to administer and a vital lifeline for tens of thousands of farmers, with key knock-on benefits for many rural communities. Would it really be so difficult for those who draft such points to acknowledge, when other things are also true, that the issues are complicated?

The document also says, revealingly:

“Phasing out Direct Payments will free up money to support agriculture in different ways, including paying farmers to improve the environment.”

Why “including” when the word could have been “by”? It is reasonable to suggest that there are questions to be answered. Has there been a casual oversight in the wording, or does the document, as I suspect, suggest that money will leach out, away from farmers? Quite possibly it will be well spent, but farmers deserve to know.

May I query why the 5% reduction with respect to payments over £150,000 is being omitted? How much money will that save, where will it go and what will it be spent on? The suggestion is that it is complicated to do the calculation, but I am sure that the Department has a spreadsheet somewhere that could do it. I wonder whether there will be an effect on the overall amount that others receive, because my recollection is that calculations start and work back from the overall financial ceiling. That may have an impact.

Wales and Scotland used capping to divert funds to environmental and rural development measures. We have had that discussion before, and I gently remind the Government that when they were criticising the EU scheme for failing on environmental grounds there was the opportunity to use those mechanisms, but they chose not to do so.

[Daniel Zeichner]

The Minister frequently accuses me of being too gloomy, so I should say that there are some positive things. Clearly, simplifying the overpayments system and doing calculations in sterling make sense, as does changing the percentage to calculate young farmer payments to reflect the changes already made with respect to the removal of the greening payment. However, I must draw attention to the phrase

“no...significant...impact on business”

at paragraph 12 of the explanatory memorandum. Really—when money is being taken away? Maybe that is now the Conservative line. I look forward to the Conservatives taking the same view when Labour redistributes resources in future. I suspect that there is an impact, and we all know it.

The second SI is, I think, more straightforward. It concerns measures to ensure that there is proper oversight of financial assistance. I have to say that this is interesting: where is the environmental equivalent? Perhaps the Minister will tell us, because it looks as though the integrated administration and control system and cross-compliance system are being gradually dismantled. It is telling that it is the money, not the environmental concerns, that seems to be the priority. Yet again, this measure is England-only. We really are becoming a very disunited kingdom.

Four schemes are outlined. I quite understand that, but it seems that we may have different rules applying to different schemes. This seems to be only for the environmental land management scheme pilots, so presumably it will have to be revisited at the various stages of ELMS, and we will probably have a countryside stewardship system running alongside the current EU countryside stewardship system. So, there is quite a lot of complexity. I am sure farmers will welcome advance notice being given on some of those checks, but where is the assessment of potential downsides? We all hope there is not abuse out there, but are we sure? This is quite a lenient approach. Given that enforcement is already an issue, is there some naivety here?

The virtual inspections sound intriguing and could be a good model for the future. It would be interesting to hear a little more from the Minister about how they will work.

I have a query about paragraph 10.5 of the explanatory memorandum, which says:

“Land Management Plans... will not be published.”

I recognise that that might be a response to representations made, but as I asked during consideration of the Act, where is the public voice in that? I think taxpayers and local residents have a role. I am disappointed and would like to hear the reasoning behind that.

Finally, the plan outlined remains through to 2027. Frankly, when we were discussing it in this room a year ago, no one could have anticipated the year we were about to have, and there is a question whether we plough on regardless or move at a pace that reflects the difficulties of the past year.

The schemes were all supposed to be about simplification. I was talking to someone the other day who pointed out that CAP effectively had three schemes, but, by their reckoning, we are already up to 14 and counting. We

might well need a new dictionary for our conversations as we sort our ELMSs from our SFIs and our ATPs. It is all getting very complicated.

I reflect on the fact that this country has many virtues, but self-knowledge is useful, and we sometimes tend to over-complicate and over-bureaucratise. In the past, we blamed that on Brussels. It is now down to us, so my plea is, can we ensure that these schemes are simple enough to deliver the outcomes we all want? In particular, we do not want funding being taken from farmers and going not to the environment—we do want funding there—but ending up in a sea of bureaucracy.

11.48 pm

Victoria Prentis: I, too, enjoy our ongoing dialogue on the future of agriculture, and I would never accuse the hon. Gentleman of being too gloomy. As I listened to him, I wondered whether he would like to visit one of the tests and trials. There are some near his home.

There is a good wildlife trust test and trial in Bedfordshire and Cambridgeshire that demonstrates well the significant environmental benefits that we think will come from our future agricultural policies. From memory, the trial involves farmers working together, and it is a good model of our mid-tier schemes. That is not precisely what we are discussing, but I think it would give the hon. Gentleman an idea of the iterative and careful process that we are going through in creating our new policies.

We have about 3,000 farmers involved in our tests and trials. The pilots we launched last week for the sustainable farming incentive are slightly different from the tests and trials in that they look to pilot the whole process, whereas the tests and trials are there to deal with specific issues and questions that we have asked farmers to test for us.

Daniel Zeichner: I would dearly like to come to see one of those—that is part of the problem of the past year—but, while I understand that those engaged in the process are probably positive about it, my worry is not for them, but for the huge number who are not engaged. That is where my concern lies.

Victoria Prentis: We are undertaking policy as we go; we are testing and trialling it as we develop it. That is innovative and not usual for Government, but I remain convinced that it is the right way to go about making these significant changes to our agricultural policy, which will affect not only how our food is produced, but what our environment looks like, is, and produces over, I hope, many years to come. It is important that we do this slowly and carefully, which is why we are testing everything so carefully as we go along.

The pilots we launched last week are there to test how the administrative aspects of the process work, whereas the tests and trials are there more to test individual aspects of the land management. With the enormous amount of outreach done by DEFRA—oh boy, have we embraced technology to do that over the past year—and the vast number of meetings and Zooms we have had with farmers, much more widely than those involved in our trials, we hope for and see all the signs that the industry is coming on board with these new policies. This is an exciting time for farming, and the more people outside the industry we can get to understand the value of that, the better, in my view.

Yes, the SI deals with payments for one year only. We did that with our eyes open, in order to retain flexibility. We know the overall envelope, and we set in November last year the direction of travel and the reductions farmers could expect. That gave them the ability to plan, but there will be further opportunities—many further opportunities—for Parliament to debate future reductions. I accept that we will be back here repeatedly as the policies develop, and I do not apologise for that, because it is right that this is an iterative, piloted process and it is right that we develop it carefully.

All the money saved will be going to farmers. The Treasury has demonstrated again and again that it is keen to support farmers in this, and I am convinced of its backing for these new schemes. The environmental element is the priority in what we are doing. We want farmers to produce food, but we want them to do so in a way that is more environmentally friendly than has been encouraged under CAP.

It is true that a large number of farmers—probably about 30%, who own about 60% of land—are already engaged in extra environmental schemes. I for one am keen always to conflate the idea of a farmer with that of an environmentalist in many cases. All we are doing is enabling, encouraging and training farmers who want to help the environment to continue to do so.

I do not think this is the place to rehearse the shape of our new agricultural policies. We are here today to talk about the financial aspects and some of the more enforcement-like aspects of the policies, but we have a clear structure, set out in many different documents. We will continue to inform both the public and the industry, slowly and carefully, as we learn from our tests and trials and our pilots.

Countryside stewardship is a critical part of what we do at the moment. We have simplified it drastically over the past year to make it a much more attractive offer for farmers to get involved in. I would say to farmers who are considering an environmental scheme but are sadly not able to be in the pilot, as not everybody can be, that they should join up to a countryside stewardship scheme. I undertake that the transfer for anybody who joins up with a countryside stewardship scheme into the new policies will be as painless and automatic as possible.

Indeed, one of the changes we are making is that there will no longer be any penalty for coming out of a countryside stewardship scheme early. We will ensure that those who are in an existing environmental scheme are not penalised, and we will make the transfer as smooth as we can.

On land management plans, one of the learnings we took from last year's consultation was that, while they are a very useful tool, we and those we consulted with did not feel the need for them to be published. We will find many different ways to ensure that the general public are aware of what is happening on farms and where their taxpayer money is being spent. Access is a critical part of our new policies.

Question put and agreed to.

DRAFT AGRICULTURE (FINANCIAL ASSISTANCE) REGULATIONS 2021

Resolved,

That the Committee has considered the draft Agriculture (Financial Assistance) Regulations 2021.—(*Victoria Prentis.*)

11.56 am

Committee rose.

