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Co-designing long-term agreements for Landscape Recovery

Report of initial scoping workshops

Milestone 2 report

Environmental Land Management Test and Trial for DEFRA

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Executive Summary

This report presents an overview of findings from the initial scoping workshops held as part of the ELMs Test and Trial: Co-designing long-term agreements for landscape recovery.

The aim of the initial workshops was to gather participants' thoughts on long-term agreements, collaborative arrangements within agricultural or environmental practice, and private or blended finance agreements. The workshops also sought to gain insights into any existing experience participants may have with these matters.

Four two-hour workshops were held during this scoping phase. Firstly, an online stakeholder workshop was held with ten participants. This was followed by three in-person farmer workshops; a total of eleven participants attended across these latter three workshops. These workshops employed a mix of discussion and participatory techniques, in order to elicit in-depth information according to the pre-designed protocol.

Key themes discussed in the workshops were:

- Risk and uncertainty
- Land use change, including its acceptability and how to safeguard such changes once a long-term agreement ends
- Flexibility within agreements
- Collaboration

For stakeholders, the notion of risk was most widely discussed in terms of its relation to the financing of agreements. There was particular focus on how government funding may be used to de-risk – and thus incentivise – private sources of investment, and how robust monitoring and evaluation frameworks can help to prevent disputes from arising. Farmers and stakeholders alike also expressed concerns about the stability of funding across the lifetime of agreements. For farmers, the primary risk appeared to be related to tying land into a long-term agreement which may then prove to be less economically beneficial than using that land for agricultural production. On the other hand, farmers also believed it was important to put safeguards in place, so that any environmental gains made were not lost when agreements ended.

Stakeholders felt there would be widespread interest in providing funding for long-term agreements from a variety of organisations, including those with a conservation focus as well as those with off-setting requirements. However, it was noted that a clear business case had to be put forward in each case, in order to attract investment. Farmers were generally receptive to the idea of blended or private financing, but noted that they would only consider forming an agreement with a company they trusted and one that they believed would be stable over the lifetime of a long-term agreement. Some also suggested that they would reject an agreement if it was felt to be mainly about off-setting or greenwashing only, rather than because the funding source had genuine concern for the environment.

Stakeholders and farmers both stressed that a large degree of flexibility within agreements is crucial, to mitigate for under- or over-performance, and for unforeseen changes such as shifts in land ownership, changing economic circumstances and forces majeures. Collaboration appeared as especially important in the farmer workshops, with participants in all three workshops discussing the issue. Largely, these conversations focused around how groups of land managers could be brought together under one long-term agreement. Participants who were already members of farmer clusters suggested that multi-party long-term agreements may work well in the case of clusters, as trust and social capital has very often already been established among such groups.

There was broad consensus across all the workshops that Landscape Recovery agreements should be holistic in their approach to environmental gains, covering a range of different outcomes rather than having a single focus.

Introduction

This report presents an overview of findings from the initial scoping workshops held as part of the ELMs Test and Trial: Co-designing long-term agreements for landscape recovery. Four two-hour workshops were held in this phase of the Test and Trial, one with stakeholders and three with farmers. The aim of these initial workshops was to gather participants' thoughts on long-term agreements, collaborative arrangements within agricultural or environmental practice, and private or blended finance agreements. The workshops also sought to gain insights into any existing experience participants may have with these matters.

Methods

Two workshop protocols were developed: one for the stakeholder workshop, which was held online via Zoom, and one for the in-person farmer workshops. Although the workshops sought to elicit information on the same topics, separate protocols were developed in recognition of the differences between online and in-person dynamics. Similarly, they were tailored to be more specific to the differing experiences of stakeholders and farmers. Both protocols used a combination of discussion and participatory methods such as group brainstorming.

An overview of the main topics covered across all the workshops can be found in Table 1. These were informed by the Rapid Evidence Assessment completed in Phase 1 of the Test & Trial. Alongside these topics, we also briefed attendees on the next phase of the T&T, during which we will design scenarios around which template long-term agreements can be developed.

Introduction to the Test & Trial Outline of the Landscape Recovery scheme
Initial reflections on LR in a lowland, agriculturally productive area
Views on long-term agreements (LTAs), including conservation covenants, and collaborative/multi-partner agreements • Any existing experience? • What is the main purpose of the agreement? • How was it developed? • Any problems with the agreement? Have they been overcome? How?
How could LTAs work throughout their duration? • Issues of land ownership and land management • Issues of governance Stakeholder and farmer engagement across the life of the agreement
What are the barriers and enablers to stakeholder and farmer participation in LR LTAs? • What support could stakeholders offer agreements? • What would incentivise farmer participation in LTAs?
Views on private and blended finance • Any existing experience with private or blended finance? • How could private finance be included in LR projects and agreements? • How appropriate and/or acceptable would its inclusion be?
Scenario ideas
Agree and embed a co-design process for the project

Table 1: Overview of the topics covered in the stakeholder and farmer workshops

Before the workshops began, participants were given information sheets and informed consent sheets to sign. Farmers also received proformas, which enabled us to collect some generalised information about their farming businesses. All workshops were audio recorded and have been transcribed verbatim, to allow us to carry out in-depth analysis of the findings.

Participants for the stakeholder workshop were recruited from those with whom we had pre-existing contact from the first phase of the Test and Trial. Ten stakeholders attended this workshop, including representatives from the National Trust, Southern Water, a multinational engineering company, local government and two Local Nature Partnerships. In addition, advisors on natural capital, property law and green investment also attended.

For the farmer workshops, participants were recruited through a combination of methods. Some were contacted via the research team's professional networks, and others were invited along by a lead from their farmer cluster. We also shared a recruitment and information flyer widely on social media, to try and reach as broad a range of participants as possible. The workshops were held at three locations across Hampshire and West Sussex, providing a spread of sites in order to make travel to the workshops as convenient as possible for participants. Likewise, in recognition of the time of year (May) and workload of farmers, we held two workshops in the evening and one at breakfast time, to better fit around their needs.

Eleven farmers in total attended the three workshops, with various types of landowner and farmer experiences being represented. Thus, the data gathered is representative of a range of perspectives.

Of the eleven farmer participants:

- All owned some land. This ranged from 3.2 ha to 900 ha.
- Seven farmers also rented land, of an area ranging between 6.5 ha and 81 ha.
- All farms were primarily arable and/or grazing livestock businesses. One participant grazed livestock as a commoner, and one participant also ran a vineyard on his property.
- Seven participants are currently signed up to a Defra AES scheme. Of these, one is in Higher Level Stewardship, one is in Countryside Stewardship (CS) higher tier, and five are in CS mid tier.
- Seven participants are in receipt of Basic Payment Scheme funding, with three of these receiving BPS payments only.
- Six farmers were members of other agreements, such as the Red Tractor and Assured Combinable Crops (ACCS) schemes.
- Six farmers were part of a farmer cluster, with three clusters being represented in total. A cluster facilitator from another group also attended a workshop.

Discussion

The Stakeholder Workshop

In the first part of the stakeholder workshop, participants were invited to use a Miro board to share their ideas on the key issues that should be considered in the design of long-term agreements for Landscape Recovery. This brainstorming exercise resulted in a large amount of suggestions for further discussion (see Figure 1).

The main point discussed by stakeholders at this time was the notion of **risk**. This was related to many factors, including:

- Under-performance according to agreed metrics: robust **monitoring and evaluation** frameworks are required, along with the ability to **modify and discharge agreements** if they are no longer serving the agreed upon purpose(s).
- Climate and environmental change potentially affecting the viability of long-term agreements: monitoring should take this into account, and agreements should be **flexible** in response.
- Paying land managers twice for the same action/result: **additionality** must be proven if agreements are 'stacked'.
- Will agreements provide **value for money** and adequate return on investment for government, private investors and the environment?
- **Uncertainty**: will future governments continue to support agreements under the Landscape Recovery tier? Will private companies' business priorities change?
- What would the impact on the **value of land** be, if it was tied into a long-term agreement?

Dispute management was another key topic, with the legal specialists in attendance stressing the costliness of interventions such as tribunals.

> *"You don't have to have much of a dispute to rack up some significant legal costs in this area… Somebody takes a covenant to a tribunal, you're looking at £50,000 to sort that out, and to defend that"*.

> *"I think it's often really helpful when you're thinking about a long-term agreement to think what happens when we fall out? And what are we going to fall out over? And how are we going to resolve it when we do fall out?"*

Moreover, whilst there was consensus that having strong monitoring and evaluation frameworks was an important way in which disputes could be prevented or dealt with in their early stages, participants noted that the time and cost involved in providing these monitoring and evaluation processes should not be underestimated.

> *"It's really time consuming, if you're the person who's trying to be the monitor. You need to invest a lot of resource into doing that."*

The latter part of the stakeholder workshop was spent discussing matters related to the **blended financing** of agreements. Again, 'risk' was a key word, with various stakeholders seeing different elements of risk involved. For Southern Water's representative, risk was tied to the large upfront costs that could be required by the company to fund a long-term agreement.

"A once-only capital outlay upfront for securing a 30 year agreement… in some respects is easier to do, because you can just pay for something under a single year's budget almost that then has a 30 year lifespan. But the problem with that is that is becomes very expensive upfront for something that you've got no idea exactly what your outcomes will be, in 30 years time. So it's quite high risk in some respects. So those seem to be the kind of parameters that you're dealing with, with making that kind of level of investment is that, either it's high cost, high risk, or it's high risk because you're not quite sure whether you're going to be able to afford the funding in 30 years time."

This stakeholder also mentioned the issue of potential change in business priorities, which could make a company's commitment to a long-term agreement problematic.

For the stakeholder representing a green investment company, risk was largely seen from the perspective of how much government would underwrite investments into blended finance agreements: with a large proportion of government funding, blended finance agreements are seen as less risky by private investors. The issue of balancing public and private funding in order to offset risk and thus incentivise private investment was therefore an important topic of discussion.

"There's not enough incentive to bring together action because we don't know what the government are going to pay for… [Are] government actually looking to blend, or are they enabling just supporting the long-term maintenance?"

Related to this, concerns were raised over whether Landscape Recovery projects would be big enough in scope to attract significant private investment.

"There are a lot of private investors, high net worth individuals, corporate entities, that are looking to get a return on investments… [A] few tens of hectares is not going to be enough… You know, they're looking for tens of thousands of hectares."

The green investment company's representative suggested that outcome-related payments to land managers from funders will only work if there is a clear market for those products. The growing **carbon market** could provide a template for other similar markets, but investors require established, tried and tested markets to incentivise their participation in such projects.

"So at the moment, I think the problem is there's not enough certainty over the market at a sufficient price to say, enable payments fully from the private sector."

One stakeholder raised the point that agreements of this type – focused on market-based outcomes – would need to be different to those with a non-market-based return on investment, as different forms of transactions are involved in each type of investment.

Stakeholders also discussed the supply of mandatory **biodiversity net gain** (BNG) sites; without an adequate provision of these, certain infrastructure projects would not be able to proceed. This provides a potential incentive for companies to invest in long-term agreements, but land managers must feel sufficiently rewarded for entering into such an agreement, otherwise the supply of land for BNG offsetting will fall short of that which is needed.

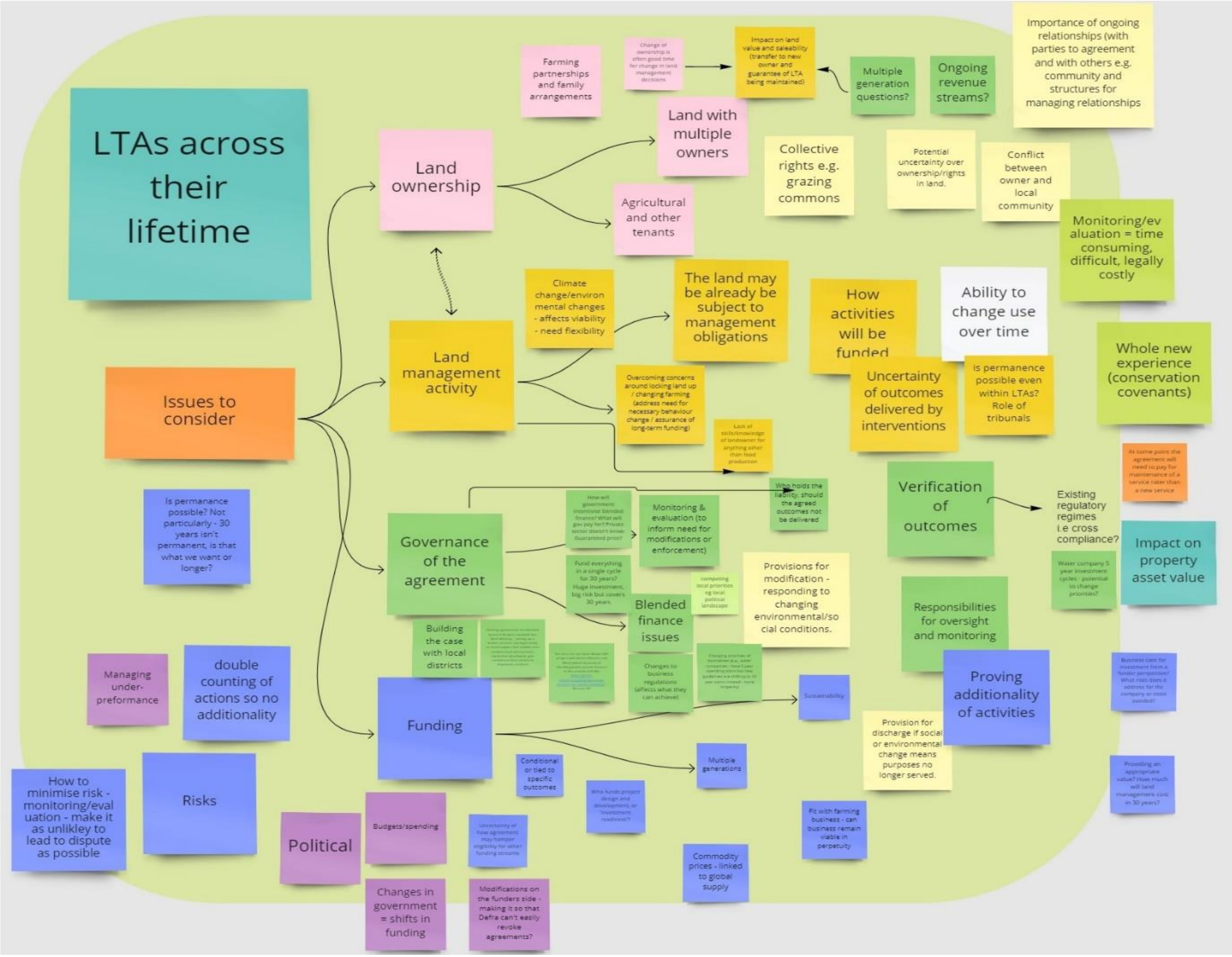

Figure 1: Issues to be considered when designing long-term agreements for Landscape Recovery

The Farmer Workshops

Farmers at the three workshops expressed a wide variety of concerns surrounding long-term agreements for Landscape Recovery. However, discussions at the workshops also resulted in a number of potential solutions being offered by the farmers themselves, to overcome these possible issues. Their concerns are summarised in Table 2, and can be broadly grouped into four main types of concern:

- The potential for agreements to be overly **prescriptive** and/or **inflexible**
- Issues of **power**, **trust** and **collaboration**
- Financial matters, including **taxation**, **administration**, and **monitoring and evaluation**
- Concerns about the **future**, including the inability to predict changing circumstances, and worries about what will happen at the end of an agreement

In the first workshop, matters of multi-party and collaborative agreements predominated, particularly as they related to a participant's experiences as a Commoner in the New Forest. Issues of land ownership – especially tenancies and Commoner rights – were also therefore central to this workshop.

Primary concerns in the second farmer workshop centred on the relationship between productive and non-productive land, concerns about the future, and possible issues with collaboration. In particular, participants wanted the ability to commit only part of their holding – the least productive agriculturally – into a Landscape Recovery agreement; this was referred to in the third farmer workshop as a ***"land-sharing not land-sparing"*** approach.

> *"A 30 year agreement, if it's over the whole farm, that is a big ask."*
>
> *"What we need to do is identify areas of low production and utilise those for environment and feed the other 2 billion people who go to bed at night off the rest of the land".*

Matters of **succession** and the future **value of land** that is tied into to a long-term agreement were also discussed in detail in the second farmer workshop.

> *"It depends if it makes it viable if…you haven't got a next generation to pass it on, if you've got to sell it, you've got to know that it's not going to impact on the sale."*

Participants concluded that they needed more information on Landscape Recovery as a whole – especially in terms of its impact on taxation and the capital value of land – before they could commit to a long-term agreement. Similarly, the current economic climate has emphasised the importance of aligning agreements with inflation. Thus, participants in this workshop also wanted to ensure that their financial return from an agreement would rise suitably across its duration.

When discussing the **collaboration** required between land managers to form a long-term agreement, participants at this workshop believed such an agreement may work well for an existing group such as a farm cluster, especially if a facilitator was involved. However, they expressed reservations about forming a group for the specific purpose of entering into a long-term agreement.

> *"I think if there isn't one already, it rather tells you it isn't going to work… Because if you try and make something happen, it never happens properly. So if you try and form a cluster, for the single purpose of being in place for this new scheme, it just won't happen."*

Farmers in the third workshop – five of whom were in a cluster and known to each other – echoed these sentiments. Issues of **trust and social capital** are therefore likely to be key in determining who is able and willing to join together under one agreement.

Farmer concern	**Type of concern**	**Potential solution**
Agreements must take into account the diversity of land, land use and land managers	Prescriptive scheme Inflexibility of agreements	Agreements must be bespoke
Long-term agreements should be inclusive. • Who holds the power?	Prescriptive scheme Power, trust and collaboration	Agreements must be bespoke All parties should have a say in how the agreement operates.
Landscape Recovery funding may only go to a small number of farmers: large landowners or those able to form a collaborative group to secure a LTA	Power, trust and collaboration Financial	Farmer clusters and facilitators can help form LTAs Use trusted parties to broker agreements.
Who is the responsible body managing the agreement?	Power, trust and collaboration	Overseeing bodies must be trusted and not 'single-minded' in their approach to environmental benefits
Changing circumstances	Inflexibility of agreements Inability to predict future	Ability to modify or discharge agreements
A better (private) LTA may come along	Inability to predict future	Ability to modify or discharge agreements
Drastic land use change may bring unintended consequences	Inability to predict future	Ability to modify or discharge agreements
How is 'success' measured? • What if we go 'above and beyond'? Will we be rewarded for extra?	Monitoring Financial	Key metrics agreed at outset. Ability to modify agreements if more/other environmental gains are made
Need to produce food. Need a viable (farming) business.	Social Financial	Land should be 'shared' not 'spared' – least productive areas could go into a LR agreement
Administrative burden / need for a (paid) advisor to complete paperwork	Bureaucracy Financial	Agreements should be as simple as possible
What are the tax implications?	Financial	More information is needed before farmers can agree to LR LTAs
Possible negative impact on land values	Financial	More information is needed before farmers can agree to LR LTAs
Arable reversion / reversion back to arable	What happens at the end of the agreement?	Ensure safeguards in place to protect environmental gains made under the agreement

Table 2: Farmers' concerns surrounding long-term agreements, and suggestions to overcome these

Key discussions in the third farmer workshop focused around flexibility, collaboration and the end of an agreement's term. In particular, farmers want the ability to **modify or discharge** an agreement, with a reasonable notice period. It was suggested that **periodic reviews** should take place – at least every 3 years – to enable modifications to be made.

> *"Defra need to hear loud and clear that the flexibility, the 30 year term… We've got a very, very volatile margin that we're working with in the arable sector in particular. Look at it at the moment, it's unprecedented. We can't sit here today and sign off arable land for 30 years on a fixed rate, or even one that's just linked to RPI. If we were going to let that land to somebody else, we would expect three-yearly reviews so that we can track the margins as we go forward."*

Other matters to be modified at review might include those related to monitoring and evaluation; if farmers are achieving better results than expected, or other environmental gains on top of those originally planned for, they wish to be rewarded for them. It was suggested that the periodic review would be an appropriate time to allow existing members to leave an agreement, and for new members to join it.

Farmers also expressed concerns about committing themselves to an agreement of 30 years or more under Defra and Landscape Recovery. They would like the ability to be discharged from an agreement if they find a better opportunity arises with another (private) partner. Participants at this workshop also discussed the possibility of 'stacking' agreements in such a case: signing up to another long-term agreement with a different partner, to provide additional environmental benefits on top of their original Landscape Recovery agreement.

> *"[I]t needs to be very attractive for farmers to sign up to something more with Defra, when actually they could do bio net gains, six of these stacking things themselves… It needs to be very incentivised actually, because there's so much out there now."*

Five out of seven participants at the third farmer workshop were members of a farmer cluster. Perhaps unsurprisingly, therefore, matters related to **collaboration** predominated. These farmers emphasised the need for trust between all members of an agreement. Whilst it appears to be crucial for those forming and working as a single legal entity for the purposes of a long-term agreement, it is also vital that farmers trust the body tasked with overseeing agreements. A preference was shown towards bodies with general environmental concerns – such as National Parks Authorities – rather than those with a more specific conservation remit, as it was felt these would have *"too much of a single interest"* in their approach to Landscape Recovery.

Participants also felt that agreements should be as inclusive as possible, with farmers being able to exercise a great deal of agency over the details of an agreement. Similarly, farmers in the third workshop asserted that a trusted partner should have **financial oversight** of the agreement, to ensure their security of income. This was seen as especially important as Landscape Recovery agreements will involve blended finance or be wholly privately funded.

> *"We're not going to want to see the money that we've got skipped off to Iceland or somewhere… We would be looking for a trusted partner… some form of government holding that money, South Downs National Park or whoever holding that money. They've got deeper coffers."*

Lastly, participants in the third workshop discussed what may happen at the end of a long-term agreement. They stressed the need for an *"exit strategy"* out of an agreement, so that once payments stop, the land previously under an agreement will not simply be reverted to (intensive) agricultural production for economic purposes.

> *"We've run and run for 30 years. What happens once we step off…? Does the glyphosate come out in the flower meadows? … [T]hat needs to be in the contract from the outset. And so you're negotiating the terms of going in, but you need to negotiate the terms of coming back out again."*

In order to protect their financial, time and labour investment into Landscape Recovery, farmers were concerned that some kind of safeguard be put in place so that environmental gains made under an agreement were not lost when this came to an end. This would ensure the *"**legacy**"* of their efforts.

Summary of findings

Whilst discussions in the stakeholder workshop delved into more depth on the blended finance and legal aspects of long-term agreements, farmer workshops tended to focus more on issues of collaboration, land use change and the ability to modify or discharge agreements. There was, however, a large amount of consensus on many topics across the stakeholder and farming workshops.

Concern for the environment, including to prevent and/or mitigate climate change, was clear across all the farmer workshops. However, as the Test and Trial's study area is in a lowland agriculturally productive area, farmers also emphasised the importance of being able to continue to produce food alongside a Landscape Recovery agreement. This appears as especially important given the current instability of global food supply chains. Many participants therefore stressed the need to be able to commit only part of their holdings to a long-term agreement for Landscape Recovery.

Indeed, a number of participants stressed that their current farming practices are designed to have wide-ranging environmental benefits whilst still being agriculturally productive. As a consequence, some felt they should be rewarded for their ongoing environmental stewardship of the land, not just for any new actions they may undertake as part of a Landscape Recovery agreement. Similarly, these farmers expressed a preference that agreements should not employ a payment-by-results approach, since their baseline for many environmental measures would already be relatively high compared to many other farms.

Across all the workshops, the majority of participants expressed a preference for Landscape Recovery agreements to be broad in scope or **holistic**, covering a variety of possible environmental gains rather than having a single focus. This was referred to in the stakeholder workshop as Environmental Net Gain, and by one farmer as *"everyone gains"*.

> *"We've come to the conclusion that a blended approach actually offers more, more opportunities to be dynamic in what we do during the period, and also have an option to finish the thing tidily at the end for future generations."*

> *"It wants to be blended and flexible, everybody contributes and everybody gains".*

This emphasises the need for agreements to be bespoke, with management plans and outcomes tailored to each individual holding within a single agreement. Drawing out how this may work in practice will be the primary focus of the Test and Trial's next phase, as we develop in-depth scenarios against which to test template agreements.